



КЫРГЫЗ БАНКЫ

Monetary Policy Report. Q1 2024

Bishkek
May 2024

Monetary Policy Report is released by the National Bank on a quarterly basis. The objective of this Report is to inform the public about the decisions made by the National Bank in the sphere of monetary policy, which are based on analysis and forecast of the main inflation factors and assessments of the economic situation development in the external environment and in the Kyrgyz Republic.

Monetary policy in the Kyrgyz Republic

The objective of the monetary policy is to achieve and maintain price stability through appropriate monetary policy.

The policy rate of the National Bank is the main instrument of the monetary policy. In 2014, the National Bank moved to a new monetary policy framework - when the National Bank policy rate serves as a target for the funds value in the money market - to improve and increase the effectiveness of the monetary policy. The short-term interest rates of the money market are the operational goal of the monetary policy. The purpose of the aforementioned movement is to strengthen the impact of the interest rate channel of the monetary policy, aimed at development of the inter-bank credit market and support for the real sector of economy.

Quantitative benchmark of the monetary policy is to keep inflation rate within 5-7 percent in the medium term. Development and implementation of the monetary policy is carried out within the framework of the Main Directions of the Monetary Policy for the medium term.

Monetary policy of the National Bank is focused on the future, as the decisions made in the field of the monetary policy affect the key macroeconomic indicators of the country with a certain lag. Development of the monetary policy is based on the inflation forecasts for the short and medium term, resulting from consistent and economically reasonable forecast of the economic situation development in the Kyrgyz Republic and in the external environment.

Communication policy is among the main instruments of the monetary policy conducted by the National Bank. The National Bank regularly issues press releases and holds press conferences on the monetary policy to inform the public and form adequate inflationary expectations among the population. Assessment of the current and expected macroeconomic situation in the country made by the National Bank is published in the Monetary Policy Report at the beginning of the third month of each quarter. The schedule of meetings held by the National Bank Board on the size of the policy rate is published on the bank's official website.

Monetary Policy Report for Q1 2024 was approved by the Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2024-П-07/24-1-(ДКП) dated May 27, 2024.

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Summary

The global economy demonstrated moderate growth. Gradual recovery of the world's major economies, including the USA and China, was conditioned by improvement of performance indicators of the main sectors of economies and an increase in consumer demand. At the same time, the economies of the EAEU member countries showed positive dynamics of real GDP growth.

In Q1 2024, economy in the Kyrgyz Republic grew by 8.8 percent. There was a positive dynamics in all sectors of the economy, mainly in the services and construction sectors. Domestic demand is still supported by an increase in real wages, growth of individuals' remittance inflows into the country and expansion of consumer lending.

In Q1 2024, trade balance was formed under the influence of growth in exports and imports to the Kyrgyz Republic. As a result, the trade deficit of the country increased by 38.3 percent compared to Q1 2023 and amounted to USD 2,492.3 million. The volume of foreign trade turnover increased by 29.8 percent and amounted to USD 3.5 billion.

Inflationary processes in the Kyrgyz Republic demonstrate stable decrease due to the monetary measures taken by the National Bank. The annual inflation rate decreased from 7.3 percent in December 2024 and amounted to 5.2 percent in March 2024. There was slowdown of price growth rate in all commodity groups, mainly in the food group.

Monetary policy conditions contributed to keep price dynamics during the reporting period within the medium-term inflation target and stable situation in the money market. The short-term money market rates were still formed within the interest rate corridor set by the National Bank mainly near the National Bank's policy rate. In order to limit the monetary factor of inflation, the National Bank actively conducted operations regulating the volume of excess liquidity in the banking system.

The situation in the domestic foreign exchange market remained relatively stable. Exchange rate remained flexible. In certain periods, the National Bank conducted foreign exchange interventions on sale and purchase of foreign currency to prevent sharp fluctuations of the exchange rate.

The deposit and credit market of the banking system showed stable development mainly in the national currency. The deposit market demonstrated stable expansion of the resource base mainly in the national currency. There was also a significant growth in the credit portfolio of the commercial banks mainly due to the credits in the national currency.

Chapter 1. External Environment

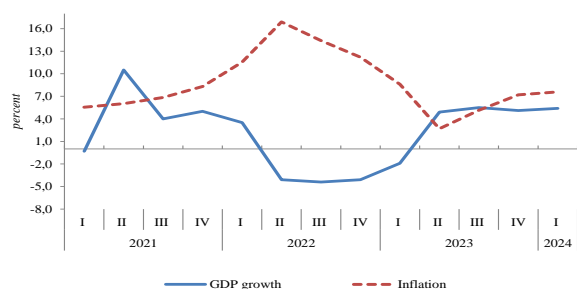
1.1. Economic Development of the EAEU Countries and the Main Trading Partner Countries

The world’s major economies demonstrated gradual recovery due to improved performance indicators of the main economic sectors and increased consumer demand. The economies of the EAEU member countries also showed positive dynamics of real GDP growth.

Russia

Chart 1.1.1. Growth of GDP and Inflation in Russia

(quarter to the corresponding quarter of the previous year)



Source: Ministry of Economic Development of the Russian Federation, IA Bloomberg, Russian Federal State Statistics Service

incomes of the population (+5.9 percent) was among the main factors of economic growth.

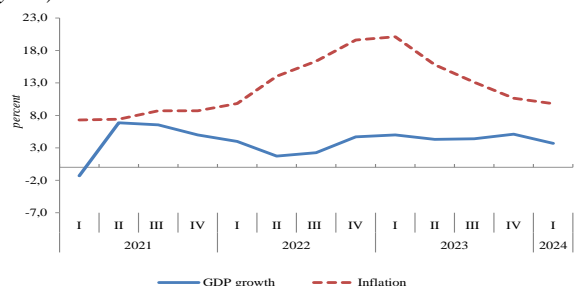
At the end of Q1 2024, the inflation rate continues its upward trend, to make 7.6 percent in annual terms. Acceleration of price growth was observed in all commodity groups: food products – by 8.1 percent, non-food products – by 6.5 percent and services – by 8.3 percent.

Kazakhstan

In Q1 2024, economic growth in Kazakhstan slowed down and amounted to 3.7 percent. During the quarter, positive dynamics of the economy was supported by an increase in capital investments, where a significant share fell on mining, real estate transactions, transport and warehousing, as well as manufacturing sector. Among the industries, construction, communications, transport and warehousing demonstrated the highest growth. Weakly positive dynamics of agriculture conditioned by low production output in plant cultivation due to poor harvest in 2023 contributed to slowdown in economic activity.

Chart 1.1.2. Growth of GDP and Inflation in Kazakhstan

(quarter to the corresponding quarter of the previous year)



Source: RK Statistics Agency, IA Bloomberg, National Bank’s calculations

In Q1 2024, outstripping growth rates of domestic demand and strong performance indicators of the manufacturing industry affected GDP growth in Russia.

According to the preliminary estimate of the Ministry of Economic Development of the Russian Federation, GDP increased by 5.4 percent at the end of Q1 2024. The manufacturing industry (+8.8 percent), industrial production (+5.6 percent) and construction (+3.5 percent) demonstrated the highest growth rates. An increase in domestic demand due to growth of real disposable

The inflation rate demonstrated moderate slowdown from 9.5 percent in January 2024 down to 9.1 percent in March 2024.

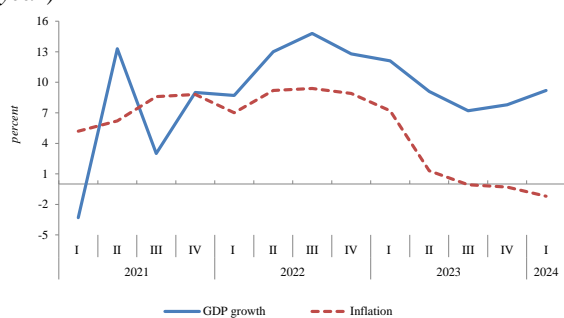
Moderately tight monetary policy and decrease in the world prices for crops contributed to slowdown of the inflation rate. An increase in tariffs for housing and utility services, growth in the cost of mobile communication services, healthcare and public catering prevent from more rapid decline in inflation. In annual terms, prices for food products increased by 6.9 percent, prices for

non-food products – by 8.2 percent, prices for paid services accelerated up to 13.2 percent. Growth of prices for food products and non-alcoholic beverages (+2.6 p.p.), housing services (+2.1 p.p.), clothes and footwear (+1.0 p.p.) made the largest contribution to the annual inflation rate.

Armenia

Chart 1.1.3. Growth of GDP and Inflation in Armenia

(quarter to the corresponding quarter of the previous year)



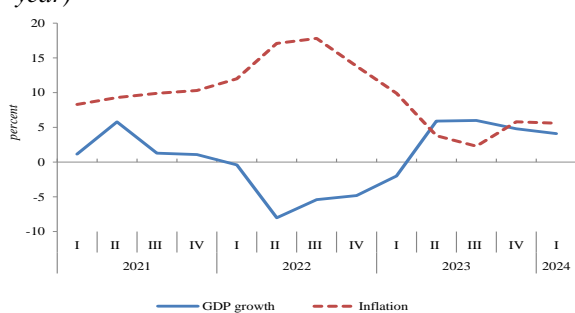
Source: National Statistical Service of the Republic of Armenia, IA Bloomberg, CB RA

In Armenia, an acceleration of deflation was observed during Q1 2024. In the reporting period, the CPI index was at (-)1.2 percent compared to the same period of 2023 (in Q4, the CPI index was (-) 0.3 percent). In Q1 of the current year, decline in prices for imported goods, as well as impact of the monetary policy conducted by the Central Bank of the Republic of Armenia, were the main factors of deflation.

Belarus

Chart 1.1.4. Growth of GDP and Inflation in Belarus

(quarter to the corresponding quarter of the previous year)



Source: National Statistical Committee of the Republic of Belarus

In Q1 2024, economic activity remained high in Armenia.

In January-March 2024, the indicator of economic activity grew by 14.3 percent compared to the same period of the previous year. The industrial sector, which increased by 30.4 percent mainly due to growth of production output in the jewelry sector (by 11.9 times), was the main driver of economic growth. Moreover, the sectors of trade (+26.5 percent), construction (+11.7 percent), services (+5.0 percent) and agriculture (+3.7 percent) demonstrated positive dynamics.

In Q1 2024, Belarus showed an increase in economic activity.

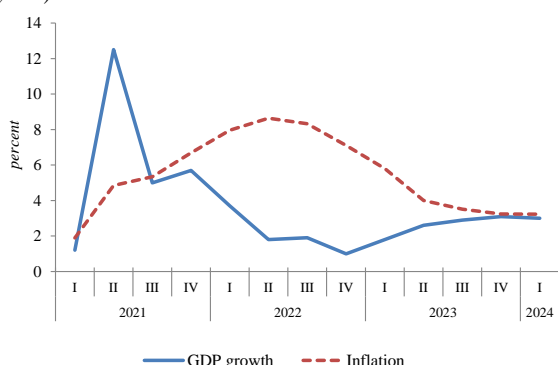
According to the National Statistical Committee of the country, GDP growth was 4.1 percent in Q1 2024. An increase in domestic demand and growth in industrial production (manufacturing +6.5 percent, mining +6.1 percent) were the main drivers of economic activity. Long-lasting soft monetary policy, concessional lending and rise in wages amid staff shortage strengthened the high level of consumer demand (in Q1 2024, retail trade increased by 13.1 percent in annual terms).

In the reporting period, the inflation rate slowed down to 5.6 percent after 5.8 percent in Q4 2023. The inflation rate weakened due to a decrease in the intensity of price growth for fruits and vegetables and regulation of prices and tariffs.

USA

Chart 1.1.5. Growth of GDP and Inflation in the USA

(quarter to the corresponding quarter of the previous year)



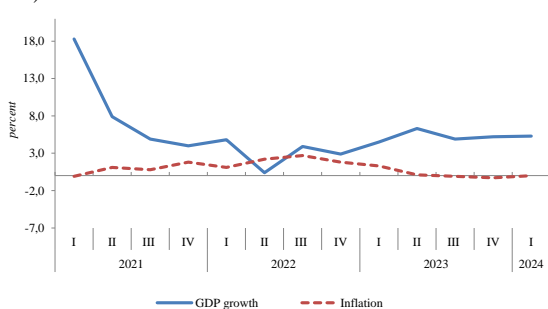
Source: the U.S. Department of Commerce, the U.S. Department of Labor, IA Bloomberg

The annual inflation rate continued to slow down and amounted to 3.5 percent in March 2024 (in March 2023, 5.0 percent). Decline in the inflation rate was mainly due to slowdown in rise of price for housing rent, medical services, and food products. Growth in consumer prices, excluding prices for food products and energy carriers (Core CPI) slowed from 5.6 down to 3.8 percent in annual terms.

China

Chart 1.1.6. Growth of GDP and Inflation in China

(quarter to the corresponding quarter of the previous year)



Source: National Bureau of Statistics of the PRC, IA Bloomberg

In Q1 2024, the US economy grew by 3.0 percent compared to the same period of the previous year, however the inflation rate demonstrated gradual slowdown amid tight monetary policy of the US Federal Reserve System. Consumer expenditures, which make up two-thirds of the US economy, provided the main support for GDP growth. Capital investments in the residential and non-residential sectors, expenditures and investments of the state and local authorities also contributed to GDP growth.

At the end of the reporting quarter, the unemployment rate in the United States did not change significantly, amounting to 3.8 percent (+0.1 p.p. year-to-date).

In Q1 2024, China's economy demonstrated stable growth.

In Q1 2024, real GDP increased up to 5.3 percent compared to the same period of the previous year and up to 1.6 percent compared to Q4. The target for 2024 set by the China's government in March of the current year is around 5.0 percent.

All sectors of economy demonstrated growth: the industrial and production sector increased by 6.0 percent, services – by 5.0 percent and agriculture – by 3.3 percent. At the same time, in Q1 of the current year, economic activity was restrained by slowdown in the real estate sector.

Consumer prices remained relatively stable in the reporting period. In March 2024, the inflation rate in annual terms increased by 0.1 percent compared to the same period in 2023, meanwhile, in February, the inflation rate grew by 0.7 percent. In the reporting quarter, the inflation rate increased due to the seasonal factor conditioned by the Chinese New Year celebrations as well as higher demand of the population. In March of the current year, the producer price index decreased by 2.8 percent.

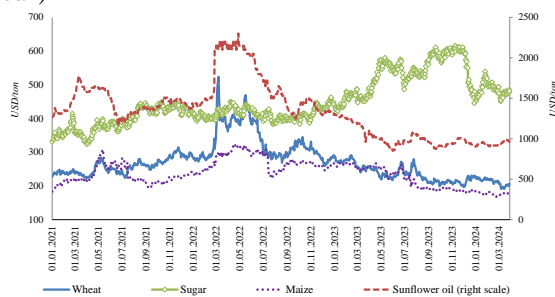
1.2. World Commodity Markets

In general, there was a decline in prices in the world food markets despite the multidirectional price movement during Q1 2024. Prices for oil demonstrated upward trend amid intensified geopolitical crisis in the Middle East. In the reporting period, the prices for gold in the world market showed stable growth updating historical peaks under the conditions of high demand amid increased geopolitical risks and expectations of monetary policy easing in a number of developed countries.

Food Market

Chart 1.2.1. Dynamics of Prices for Food Products

(month to the corresponding month of the previous year)



In Q1 2024, prices for basic food products demonstrated volatility primarily with downward trend. This was due to stable import demand, seasonal decline in production output in the main producing countries, stable domestic demand in some regions and rise in the world prices for crude oil.

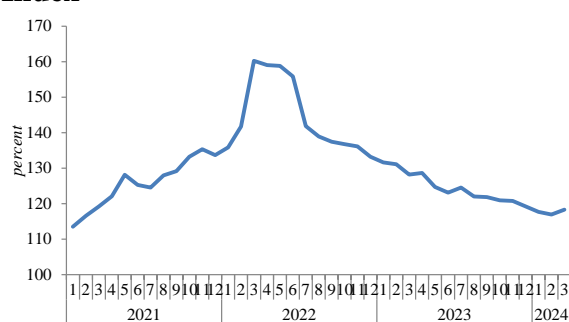
In March 2024, vegetable oil prices increased significantly and reached the highest value in the previous year. Prices increased due to seasonal reduction of production output in the main producing countries, which resulted

in increase of import demand.

In the reporting period, there was stable decline in prices for crops, in March, prices for crops decreased by 6.5 percent compared to Q4 2023. Prices for wheat demonstrated gradual decline during the third consecutive month due to intense competition between the European Union, Russia, and the United States. China’s rejection to purchase wheat and favorable forecasts for harvest in Russia and the United States also provided influence on prices. Prices for all types of rice declined due to weak import demand.

At the beginning of Q1 2024, the world prices for sugar increased and declined only during the last month of the quarter due to an increase in forecast for sugar production in India, active cane harvesting in Thailand, and large export supplies from Brazil. However, concerns over drought in Brazil and rise in oil prices restrained further decrease in prices for sugar.

Chart 1.2.2. Dynamics of FAO Food Price Index



In Q1 2024, in general, the dynamics of the FAO food price index¹ showed stable decline in prices, despite an increase in prices for some products. In January and February 2024, the index value decreased mainly due to downward dynamics of prices for crops. In March, there was a slight increase in the index being conditioned by a significant increase in prices for vegetable oils. Variable weather conditions in the producing countries, stable import demand, geopolitical uncertainty and price fluctuations in the world markets of oil

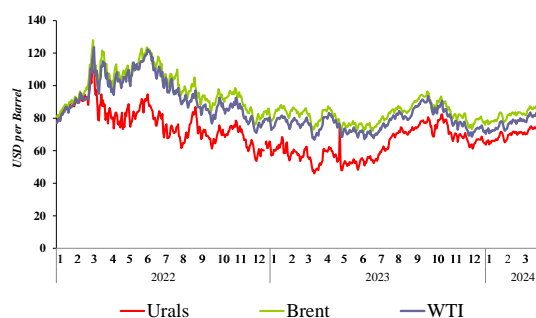
products were the factors affecting price movement.

In Q1 2024, the average value of the FAO Food Price Index decreased by 1.8 percent compared to the previous quarter and amounted to 117.6 points. This index decreased by 9.7 percent compared to the same quarter of 2023.

¹ The FAO food price index is a weighted average indicator that tracks international price movements for five major food commodity groups (meat, dairy products, crops, vegetable oils and sugar).

Energy Market

Chart 1.2.3. Dynamics of Oil Prices
(in USD)



In Q1 2024, Brent oil was sold at an average price of USD 81.7 per barrel, which decreased by 1.3 percent compared to the previous quarter, however the average price remained almost unchanged (-0.1 percent) compared to the same period of 2023. At the same time, the price increased by 15.3 percent by the end of the reporting period compared to the beginning of the reporting period.

The average discount of Russian Urals oil to Brent oil amounted to USD 12.1 per barrel.

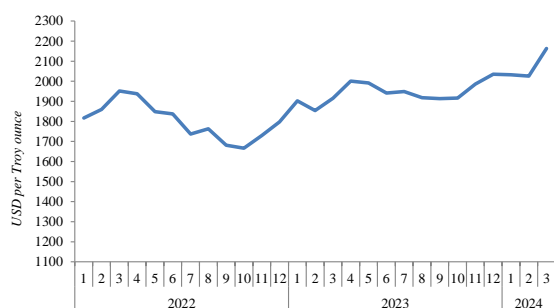
On March 3, 2024, OPEC+ countries announced the extension of additional voluntary reductions by 2.2 million barrels per day in Q2 2024. The previous decision on additional reduction of oil production by 700,000 barrels per day was made on November 30, 2023. According to the OPEC+ decision dated March 3, 2024, Saudi Arabia is assumed to continue further reducing oil production by 1 million barrels per day in Q2 2024, and Russia, in turn, will reduce oil production and exports, to make in total 471 thousand barrels per day. Other reductions fall on Iraq (220 thousand barrels per day), the United Arab Emirates (163 thousand barrels per day), Kuwait (135 thousand barrels per day), Kazakhstan (82 thousand barrels per day), Algeria (51 thousand barrels per day) and Oman (42 thousand barrels per day).

Tense geopolitical situation in the Middle East and long-lasting conflict between Iran and Israel, as well as the actions of the Houthis in the Red Sea with attacks of the commercial vessels caused concerns about uninterrupted oil supplies from the region, which influenced volatility of the world oil prices during Q1 2024.

The Kyrgyz Republic is an oil-importing country and the share of Russia constitutes almost 95 percent of total petroleum, oil and lubricants imports. The world oil prices, production capacity, and domestic and foreign demand for oil influence the selling prices of the Russian oil refineries.

Gold Market

Chart 1.2.4. Dynamics of Gold Prices



Source: IA Bloomberg

In the reporting period, the price for gold in the world market demonstrated stable growth updating historical peaks under the conditions of high demand amid increased geopolitical risks and expectations of monetary policy easing by a number of developed countries.

According to the World Gold Council, demand from central banks and the over-the-counter market supported growth of the gold price in the world market. In Q1 2024, the total

demand for gold increased by 3.0 percent in annual terms and constituted 1,238 tons being the highest value since Q1 2016.

In Q1 2024, demand for measuring bars and coins was in line with the level of the previous quarter and amounted to 312 tons, having increased by 3.0 percent compared to the same period of the previous quarter.

In the reporting period, global demand for jewelry decreased by 2.0 percent compared to the same period of the previous year and amounted to 479 tons.

In the reporting period, technological demand for gold recovered by 10.0 percent in annual terms as the artificial intelligence boom boosted demand in the electronics sector.

In Q1 2024, the average price for gold in the world market increased by 4.8 percent compared to the previous quarter and amounted to USD 2,071.8 per Troy ounce (+9.5 percent compared to the same period in 2023).

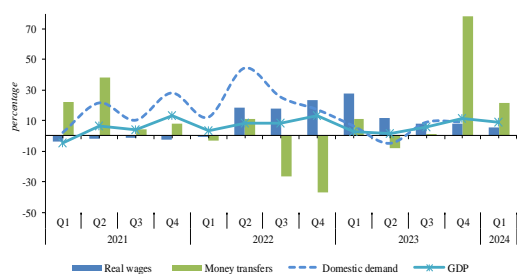
Chapter 2. Macroeconomic Development

2.1. Demand and Supply in the Commodities and Services Market

In Q1 2024, there was high economic activity in the Kyrgyz Republic. The sectors of services and construction made the main contribution to economic growth. In general, in the reporting period, the economy of the country demonstrated high investment activity of economic entities. Domestic demand was still supported by an increase in consumer lending, growth of individuals' remittances inflow into the country and stable positive upward dynamics in real wages.

Demand

Chart 2.1.1. Dynamics of Internal Demand and Cross-Border Money Transfers
(quarter to the corresponding quarter of the previous year)



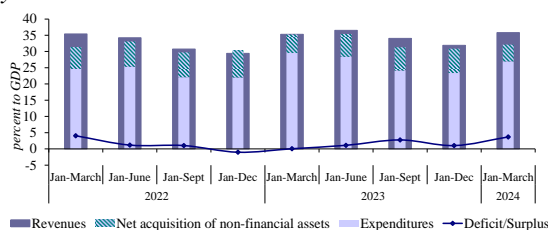
Source: NSC KR, calculations: National Bank

According to the preliminary results of Q4 2023¹, an increase of domestic demand is estimated at 9.3 percent in annual terms.

In the reporting quarter, an increase of consumer demand was supported by stable positive growth of real wages (+5.3 percent), increase in consumer lending (+27.4 percent) and rise in net inflow of cross-border remittances of individuals into the country (+21.8 percent).

Public Finances Sector

Chart 2.1.2. Execution of the State Budget
(period to the corresponding period of the previous year)



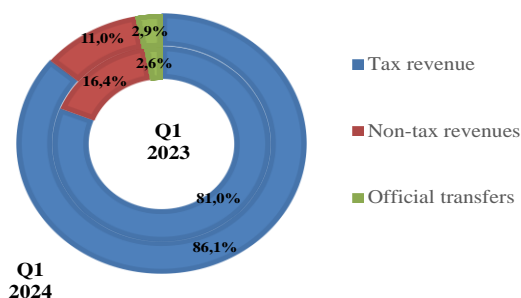
Source: CT MFKR

In January - March 2024, the state budget of the Kyrgyz Republic was executed with a surplus of 3.7 percent to GDP due to seasonal phenomenon, as well as significant growth of tax revenues (in the same period of 2023, the surplus was 0.1 percent to GDP).

Receipts from VAT, income and profit taxes, and sales taxes, with a share of 49.3, 28.7, and 7.0 percent, respectively made the greatest impact on an increase of tax revenues amid high economic growth and measures taken to fiscalize tax procedures. In the reporting period, current state budget revenues grew by 19.8 percent, up to KGS 89.1 billion (35.8 percent of GDP).

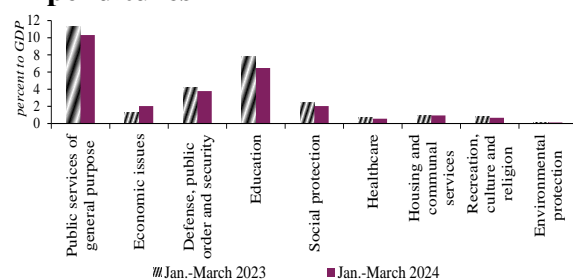
¹ Reference to the data for the earlier period is given due to the lack of more up-to-date data.

Chart 2.1.3. Structure of the State Budget Revenues



Source: CT MFKR

Chart 2.1.4. Structure of State Budget Expenditures



Source: CT MFKR

Investments

Table 2.1.5. Capital Investments by Sources of Financing
(millions of KGS, percent)

	January-March			
	2023	2024	2023	2024
	millions of KGS		share, percent	
Total	16 180,4	27 673,3	100,0	100,0
Internal investment	14 388,2	24 290,2	88,9	87,8
Republican budget	1 785,5	2 653,1	11,0	9,6
Local budget	94,6	142,5	0,6	0,5
Funds of enterprises and organizations	6 305,6	9 427,5	39,0	34,1
Banks' credits	67,9	499,1	0,4	1,8
Population funds including beneficent help of KR residents	6 134,6	11 568,0	37,9	41,8
External investment	1 792,2	3 383,1	11,1	12,2
Foreign credit	746,6	1 846,1	4,6	6,7
Direct foreign investments	449,9	675,8	2,8	2,4
Foreign grants and humanitarian aid	595,7	861,2	3,7	3,1

Source: NSC KR

facilities (by 2.8 times) and agricultural facilities (by 2.6 times). There was a decrease in investments for hotels and restaurants (2.1 times), educational facilities (16.8 percent) and wholesale and retail trade facilities (by 8.6 percent).

Supply

According to the preliminary data of the NSC KR, in Q1 2024, the nominal GDP increased in real terms by 8.8 percent compared to 2023 and amounted to KGS 248.8 billion (2.8 percent¹).

Current budget expenditures increased by 7.6 percent and amounted to KGS 67.0 billion (26.9 percent of GDP).

The items “economic issues” and “general public services” demonstrated the largest growth in the structure of expenditures by functional classification. At the same time, the item on labor remuneration of public sector employees continued to occupy a significant share in the structure of expenditures (46.2 percent).

Net operations of the Cabinet of Ministers of the Kyrgyz Republic on non-financial assets amounted to KGS 12.9 billion (5.2 percent to GDP, in the same period of 2023, 5.7 percent to GDP).

In general, in the medium term, the Cabinet of Ministers of the Kyrgyz Republic expects that the republican budget will be executed with surplus, which in the future is planned to be used to cover expenditures related to economic activities and the state obligations.

There was a significant increase in the volume of capital investments.

In Q1 2024, the level of capital investments exploitation amounted to 66.6 percent against 3.1 percent in January-March 2023.

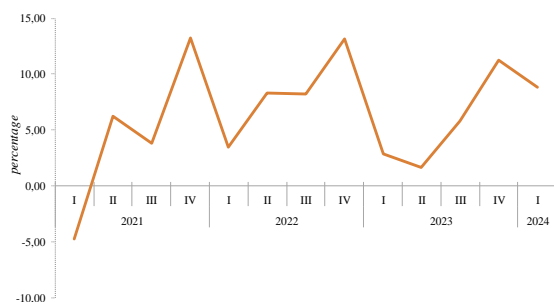
Growth was conditioned by an increase in investments financed from the domestic sources by 64.4 percent and from the foreign sources by 83.9 percent.

There was an increase in investments primarily for transportation facilities (by 3.5 times), art, entertainment and recreation

¹ According to clarified data of the NSC KR.

Chart 2.1.6. GDP Dynamics

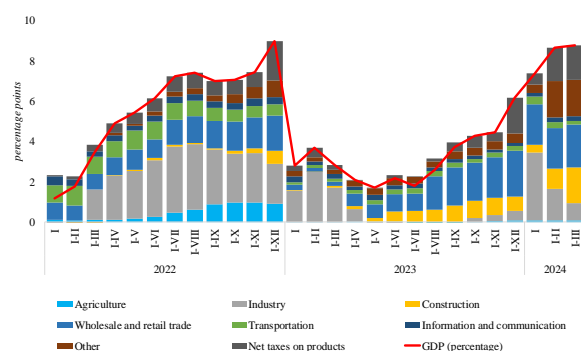
(quarter to the corresponding quarter of the previous year)



Source: NSC KR, calculations: National Bank

Chart 2.1.7. Input of Main Sectors in GDP Growth

(period to the corresponding period of the previous year, accumulatively)



Source: NSC KR, calculations: National Bank

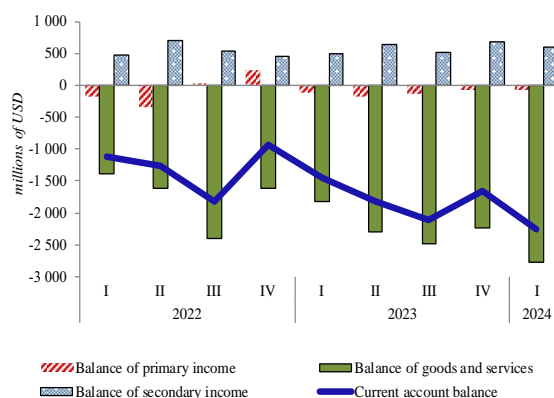
year, contribution of this sector to the total GDP growth was 0.4 p.p.

The GDP deflator was positive and amounted to 8.5 percent, having decreased by 13.4 p.p. compared to January-March 2023.

2.2. External Sector¹

In Q1 2024, the current account deficit was conditioned by the continuing trade deficit and stable deterioration in the balance of services.

Chart 2.2.1. Current Account



Note: According to the preliminary and forecasted data.

The sectors of services and construction showed the highest economic activity.

The services sector continued to make the largest contribution (4.3 p.p.) to the total GDP growth, having increased by 8.0 percent in real terms due to growth in the turnover of wholesale and retail trade (by 19.1 percent). The share of the services sector in the GDP structure remains the largest, being equal to 50.8 percent.

An increase in the volume of capital investment conditioned significant growth in the construction sector by 53.8 percent in Q1 of the current year.

Contribution of the construction sector to the total GDP growth was 1.8 p.p. Moreover, the volume of net taxes on products increased by 9.0 percent compared to Q1 of the previous year (+1.4 percent) due to growth of tax revenues.

Agriculture demonstrated growth by 1.4 percent in the reporting quarter. In industry, there was slowdown in growth rates by almost twice (to +4.7 percent from 8.7 percent) compared to the same period of the previous

According to the preliminary data and estimates of the National Bank, in Q1 2024, the current account deficit constituted USD 2,263.0 million or 55.1 percent to GDP².

In the reporting period, the trade balance deficit expanded by 38.3 percent, up to USD 2,492.3 million, in conditions of prevailing rise of imports exceeding insignificant growth of export supplies.

Export of goods (in FOB prices) increased by 12.8 percent and amounted to USD 510.9 million. Supplies of gold (non-

¹ According to the preliminary and forecasted data, including additional estimates of the National Bank of the Kyrgyz Republic. Period of comparison is the quarter to the corresponding quarter of the previous year.

² Ratios to GDP are calculated based on sliding annual data, including the last four quarters.

monetary) had the main impact on the export volumes. Export excluding gold decreased by 7.8 percent and totaled up to USD 371.2 million.

Import of goods (in FOB prices) went up by 33.2 percent and added up to USD 3,003.3 million. The current trade patterns in the region affects the escalation of import operations. During the period under review, the boost in imports was mainly provided by the supplies of motor cars, as well as parts of equipment for production machinery. In the reporting period, there was also a surge in import of energy products by 61.9 percent (USD 230.6 million against USD 142.4 million in Q1 2024) due to growth in volume and value.

The structure of the secondary income balance shows further hike in the inflow on the item “workers’ remittances” along with improvement in the balance of the general government sector.

In Q1 2024, an increase in the inflow of individuals’ cross-border remittances influenced the positive dynamics of net inflow on the item “workers’ remittances” (an increase by 20.5 percent). The dynamics of the general government sector was fully formed by contributions of membership fees to the international organizations.

In the reporting quarter, the balance of services deficit is expected to go up to USD 292.8 million (by 10.5 times), whereas the balance of the item “primary income”, according to the National Bank’s estimates, will be negative in the amount of USD 66.2 million (a decrease by 42.6 percent). Inflow on the capital account is expected at USD 31.0 million.

According to the preliminary forecast estimates of the National Bank, in Q1 2024, net borrowing from the rest of the world presented in the item “financial account” will amount to USD 2,214.2 million.

In accordance with the National Bank’s expectations, the financial account will be formed as a result of boost in other investments in the form of an increase in the private sector liabilities to non-residents.

Thus, based on the results of Q1 2024, the balance of payments of the Kyrgyz Republic will develop with a surplus to make USD 17.8 million.

Indexes of Real and Nominal Effective Exchange Rate of KGS

Table 2.2.2. Key Values for Exchange Rate

	year (average)			month to the beginning of the year (as of the end of month)		
	2022 (aver.) (January- December)	2023 (aver.) ¹ (January- December)	%	December 2023	March 2024	%
REER	122.5	131.7	7.5	131.3	129.6	-1.3
NEER	125.8	126.3	0.4	122.2	118.0	-3.4
RBER to CNY	87.5	97.1	11.0	99.0	100.5	1.5
NBER to CNY	54.3	54.7	0.7	54.3	54.6	0.5
RBER to EUR	116.6	113.4	-2.7	112.3	113.0	0.6
NBER to EUR	68.8	64.2	-6.8	62.5	62.8	0.4
RBER to JPN	160.1	175.9	9.8	180.4	188.5	4.5
NBER to JPN	81.6	83.6	2.4	84.9	87.8	3.5
RBER to KZT	144.5	132.2	-8.5	128.8	123.9	-3.8
NBER to KZT	170.9	162.0	-5.2	160.6	156.6	-2.5
RBER to RUB	115.2	143.2	24.3	148.2	149.0	0.5
NBER to RUB	123.3	146.2	18.6	153.4	155.4	1.3
RBER to TRY	235.1	230.9	-1.8	230.0	220.6	-4.1
NBER to TRY	601.0	819.2	36.3	995.2	1084.7	9.0
RBER to USD	86.5	88.2	1.9	87.8	87.5	-0.3
NBER to USD	54.6	52.3	-4.2	51.6	51.3	-0.4

0.4 percent amid appreciation of KGS¹ against the Turkish lira by 9.0 percent, the Japanese yen – by 3.5 percent, the Russian ruble – by 1.3 percent, the Chinese yuan – by 0.5 percent and the euro – by 0.4 percent. Along with the NEER, more restrained price growth in Kyrgyzstan² amid relatively high average inflation rate in the EAEU trading partner countries conditioned a reduction of the real effective exchange rate (REER) index by 1.3 percent, to make 129.6 at the end of March 2024.

By the end of Q1 2024, there was weakening of the nominal effective exchange rate and the real effective exchange rate indices.

According to actual data, the nominal effective exchange rate (NEER) index of Kyrgyz som decreased by 3.4 percent year-to-date and constituted 118.0 at the end of March 2024. The decline in the index was a result of KGS depreciation in the aforementioned period against the Kazakh tenge by 2.5 percent, the US dollar – by

¹ The data are given for the nominal bilateral exchange rate of KGS; the year of 2010 is used as the base period for the calculation of the index.

² In Q1 2024, the inflation rate in the Kyrgyz Republic was formed at 1.2 percent; meanwhile, the average inflation rate in the EAEU main trading partner countries according to the preliminary calculations was 2.2 percent.

Chapter 3. Monetary Policy

Key Trends

- During Q1 2024, the National Bank continued to adhere to the monetary policy focused on restraining pro-inflationary factors in the country's economy. Emerging external conditions (long-lasting high geopolitical uncertainty worldwide) and internal pro-inflationary factors (related to the expansion of consumer demand and inflationary expectations of the population regarding the administrative measures on tariff policy) were the prerequisite for a such decision.
- Growth of excess liquidity in the banking system remained stable. Under these conditions, the National Bank contributed to restricting monetary factors of inflation by increasing the volume of sterilization operations. The money market participants still gave their preference primarily for the National Bank's notes.
- The short-term rates in all segments of the money market were formed near the key rate within the interest rate corridor set by the National Bank.
- In general, the situation in the domestic foreign exchange market remained stable. The exchange rate remained flexible. In some periods, in order to smooth sharp fluctuations of the exchange rate, the National Bank conducted foreign exchange interventions: two interventions on sale of foreign currency to the amount of USD 31.85 million and one intervention on purchase of foreign currency to the amount of USD 9.0 million.
- The monetary policy measures taken by the National Bank contributed to limiting the inflationary factors and kept the situation in the interbank money and domestic foreign exchange markets stable. As a result, the inflationary environment in the Kyrgyz Republic demonstrated stable slowdown.

3.1. Monetary Policy Implementation

Monetary Conditions

Taking into account the emerging preconditions and trends in development of the internal and external economic environment, during Q1 2024, the monetary conditions were focused on decreasing the inflation rate in the country to the target values.

During Q1 2024, the Board of the National Bank twice considered the issue of the policy rate, therefore the decision was made to keep the key rate unchanged at the level of the previous values in the amount of 13.00 percent. Decisions on monetary policy were made under the conditions of a high degree of uncertainty with regard to emerging geopolitical situation worldwide and the existing pro-inflationary factors in the economy of the country.

In order to ensure price stability in the medium term, the boundaries of the interest rate corridor were kept unchanged: the interest rate on "overnight" deposits remained at 11.00 percent and on "overnight" credits – at 15.00 percent. Dynamics of the National Bank's key rate determined the general trend of the short-term money market rates, which continued remaining within the interest rate corridor set by the National Bank.

Under the conditions of persisting high level of excess liquidity in the banking system, the National Bank actively conducted sterilization operations in order to limit the monetary factor of inflation.

Supported monetary conditions had a positive impact on attractiveness of savings in the national currency, contributing to expansion of the population's savings behavior, on the one hand, and, on the other hand, creating conditions for the commercial banks to build up lending capacity for the forthcoming periods.

Liquidity Regulation in the Banking Sector

Excess liquidity demonstrated stable growth in the banking system. Traditionally, the first ten-day period of January 2024 was characterized by a relatively low level of

excess reserves followed by growth. The National Bank actively used monetary instruments to regulate the banks’ excess liquidity in order to mitigate the possible pressure of this factor on the inflation rate.

In Q1 2024, the average daily volume of excess liquidity in the banking system increased by 35.6 percent compared to the previous quarter and amounted to KGS 88.6 billion (in Q1 2023, KGS 59.5 billion). In the context of banks, excess liquidity, as before, was concentrated with the main players of the money market.

The National Bank significantly increased the volume of sterilization operations in order to limit inflationary pressure. In the reporting period, the average daily volume of excess liquidity sterilization from the banking system increased up to KGS 88.9 billion from KGS 65.4 billion in Q4 2023 (in Q1 2023, KGS 60.1 billion).

Issue of notes and “overnight” deposits were the main instruments of the National Bank to withdraw excess liquidity of the banks: the share of notes constituted 74.2 percent, the share of “overnight” deposits – 25.8 percent. The average daily volume of the National Bank’s notes increased by 42.5 percent compared to the previous quarter and by 54.5 percent compared to Q1 2023 and amounted to KGS 66.0 billion.

The average daily volume of excess reserves placed by the banks on “overnight” deposits increased by 20.0 percent compared to the previous quarter and by 31.5 percent compared to Q1 2023 and amounted to KGS 22.9 billion. At the same time, during Q1 2024, the total amount of commercial banks’ funds placed on “overnight” deposits ranged from KGS 10.8 billion to KGS 45.2 billion.

Chart 3.1.1. Excess Reserves of the Commercial Banks

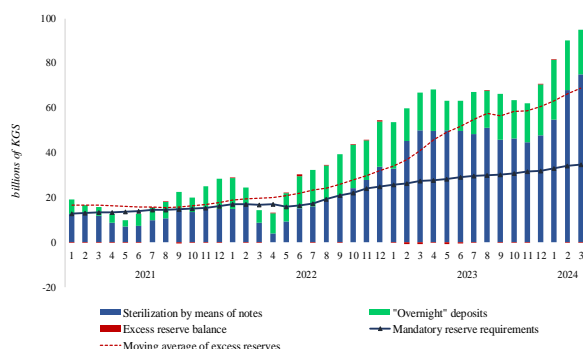
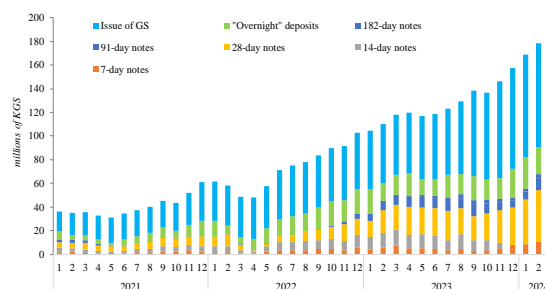


Chart 3.1.2. Structure of Sterilization Taking into Account Government Securities



Monetary Policy Measures in Q1 2024

The decisions were made on the size of the National Bank key rate and the rates of the interest rate corridor

The Board of the National Bank twice considered the issue of the policy rate - on January 29 and February 26, 2024. Taking into account stable pro-inflationary factors due to uncertainty in the external environment, the National Bank continued to conduct the monetary policy in order to mitigate possible risks and restrain the inflation rate within the target values. The size of the National Bank’s policy rate was kept unchanged at 13.00 percent.

The rates of the interest rate corridor also remained unchanged: the interest rate on “overnight” deposits – 11.00 percent, the interest rate on “overnight” credits – 15.00 percent.

The inflationary developments in the Kyrgyz Republic were limited due to the monetary policy measures, which led to a downward trend in the inflation rate. In Q1 2024, the inflation rate decreased by 2.1 p.p. compared to the same period of the previous year and constituted 1.1 percent. Meanwhile, in March, the annual inflation rate was 5.2 percent (a decrease by 7.5 p.p. compared to the same month of the previous year).

3.2. Financial Market Instruments

Dynamics of Short-Term Money Market Interest Rates

In Q1 2024, the weighted average indicators of short-term interest rates in the money market were higher than in the previous period due to measures taken by the National Bank to control liquidity in the banking sector.

The average interest rate spread in the notes market increased by 0.03 p.p., to (-)0.82 percent. During the reporting period, the weighted average yield of notes increased from 12.11 percent in January to 12.24 percent in March (in February, the weighted average yield of notes was 12.18 percent). In terms of maturities of the National Bank’s notes, the weighted average yield of 7- and 91-day notes increased, meanwhile their demand and supply increased. The weighted average rates on 28- and 182-day notes decreased amid an increase in demand and supply compared to the previous period.

During the reporting quarter, there was an increase in demand in the interbank credit market of REPO transactions. At the same time, a significant increase was observed from February until March 2024 – by 96.0 percent (from January until February 2024 – by 2.2 percent). As a result, the average spread of rates increased by 0.40 p.p., to (-)1.29 percent in the market of credit borrowing through REPO transactions. At the end of the quarter, the weighted average rate was formed at 11.73 percent.

Based on the results of Q1 2024, only six auctions were conducted in the market of short-term government securities (12-month ST-Bills). According to the auction results, the average spread of rates increased by 0.59 p.p. and made 1.13 percent. Finally, the weighted average rate on ST-Bills increased by 1.43 p.p. compared to the level of the policy rate, which amounted to 14.43 percent (in Q4 2023, this indicator amounted to 13.8 percent).

Chart 3.2.1. Interest Rate Policy of the National Bank

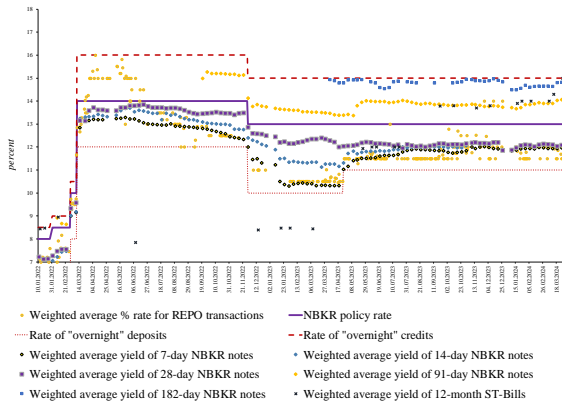


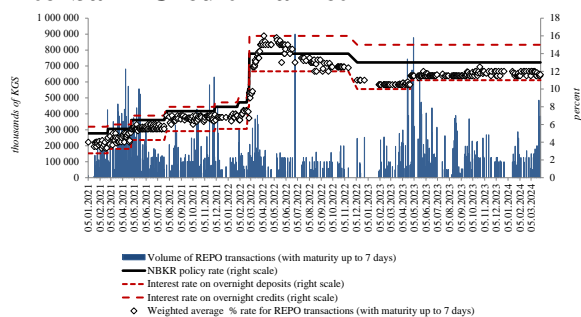
Chart 3.2.2. Spread between the Short-Term Rates of the Money Market and the Key Rate



Interbank Credit Market

In Q1 2024, activity in the segment of REPO transactions decreased slightly in the interbank credit market.

Chart 3.2.3. Dynamics of Rates and Volume of Repo Transactions in the Interbank Credit Market

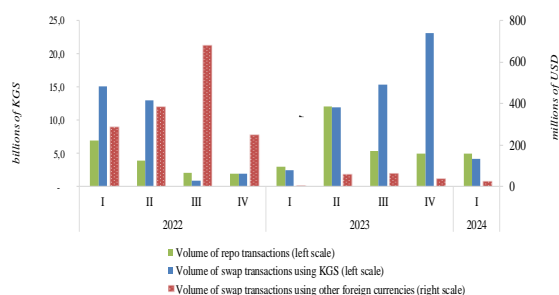


KGS 3.0 billion).

In January-March 2024, the weighted average rate of the interbank credit market decreased to 11.7 percent (-0.4 p.p.) compared to October-December 2023. During the reporting period, the weighted average maturity of credits decreased to 3 days (-2 days) compared to the previous quarter. The transactions were conducted on pledge of the National Bank’s notes and ST-Bonds.

In Q1 2024, the money market segment of SWAP transactions was characterized by significant decrease in activity of the banking sector participants. At the same time, the volume of SWAP transactions slightly exceeded the volume of REPO transactions. Transactions with the national currency dominated in the structure of SWAP transactions.

Chart 3.2.4. Market of REPO and SWAP Transactions



Q1 2024 was characterized by a slight decrease in the activity of the interbank credit market participants compared to Q4 2023, meanwhile the volume of transactions demonstrated monthly upward trend.

In January-March 2024, the volume of transactions decreased slightly by 0.7 percent compared to the previous quarter and amounted to KGS 4.99 billion (in Q4, KGS 5.03 billion), however, the volume of transactions increased by 68.5 percent compared to Q1 2023 (in Q1 2023,

The total volume of SWAP transactions conducted by the commercial banks using the national currency (both in the domestic foreign exchange market and with non-resident banks) decreased by 81.7 percent and amounted to KGS 4.2 billion (compared to Q4 2023).

The volume of transactions involving foreign currencies (without using the national currency) decreased by 33.7 percent compared to the same period and amounted to USD 26.8 million.

Market of the National Bank’s Notes

The commercial banks preferred to place available funds on short-term notes of the National Bank due to short maturity of excess liquidity.

In Q1 2024, the volume of placed National Bank’s notes increased by KGS 94.2 billion (+48.6 percent) compared to the previous quarter, up to KGS 288.1 billion. At the same time, the market participants demonstrated an increase in investment demand for notes up to KGS 312.3 billion (+39.7 percent or KGS 88.8 billion).

In Q1 2024, the situation with the yields of notes changed insignificantly by maturities. The interest rates on 7-day notes increased to 11.94 percent (+0.02 p.p.), on 91-day notes – to 13.86 percent (+0.05 p.p.). Meanwhile, yields of 28-day notes decreased slightly by 0.06 p.p. (to 12.06 percent) and yields of 182-day notes decreased by 0.21 p.p. (to 14.67 percent). In general, in the reporting quarter, the total weighted average yield of notes increased by 0.04 p.p., to 12.18 percent.

In the reporting period, notes with maturity of 7 and 28 days were the most preferable (the total share of 7- and 28-day notes from the total volume of sales amounted to 91.6 percent;

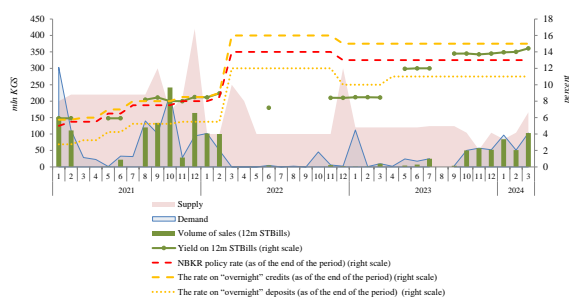
during the quarter – +8.0 p.p.) due to short maturity of excess liquidity (up to one year), the share of 91- and 182-day notes increased by 3.1 p.p. and amounted to 8.4 percent.

Government Securities Market

In Q1 2024, the government securities (GS) market was represented by a wide range of securities (excluding 15- and 20-year securities). The ST-Bonds with 3-, 5- and 7-year maturities were in the greatest demand among the market participants. The segment of GS with short maturities, as well as in previous periods, was represented only by 12-month ST-Bills.

ST-Bills

Chart 3.2.5. ST-Bills Market Indicators



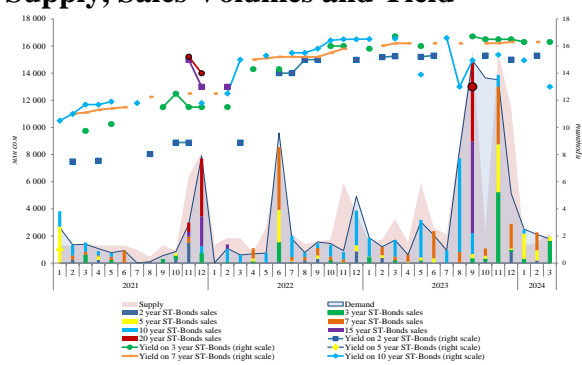
Since the end of 2023, the market of 12-month ST-Bills demonstrated increased demand until Q1 2024. 12-month ST-Bills were still placed on the trading platform of Kyrgyz Stock Exchange CJSC (KSE), demand and sales thereof increased compared to the previous quarter.

According to the official website of KSE, in Q1 2024, the total volume of 12-month ST-Bills supply increased by 36.2 percent compared to the previous quarter. The total demand increased by 57.8 percent, however, demand was not satisfied by 5.4 percent (KGS 13 million). The total sales increased by 49.8 percent compared to Q4 2023 and amounted to KGS 238.3 million. In Q1, the weighted average yield of 12-month ST-Bills increased by 0.5 p.p. compared to the previous quarter and amounted to 14.05 percent.

The total demand increased by 57.8 percent, however, demand was not satisfied by 5.4 percent (KGS 13 million). The total sales increased by 49.8 percent compared to Q4 2023 and amounted to KGS 238.3 million. In Q1, the weighted average yield of 12-month ST-Bills increased by 0.5 p.p. compared to the previous quarter and amounted to 14.05 percent.

ST-Bonds

Chart 3.2.6. Dynamics of ST-Bonds Supply, Sales Volumes and Yield



In the reporting period, the ST-Bonds market was represented by the securities of all types of maturities, excluding 15- and 20-year maturities. The weighted average yield of ST-Bonds decreased due to sale of securities with low yields.

In Q1 2024, the volume of ST-Bonds sales increased by 1.6 percent compared to the same period of the previous year and decreased by 76.3 percent compared to the previous quarter, to make KGS 4.4 billion. Activity in the ST-Bonds market was primarily provided by participation of the government.

In Q1 2024, the volume of ST-Bonds sales increased by 1.6 percent compared to the same period of the previous year and decreased by 76.3 percent compared to the previous quarter, to make KGS 4.4 billion. Activity in the ST-Bonds market was primarily provided by participation of the government.

In Q1, the total weighted average yield of ST-Bonds slightly decreased compared to Q4 2023 due to movement of the market dynamics towards 5-year ST-Bonds, which in the reporting period was characterized by lower yield compared to the previous period. During the quarter, the weighted average yield of ST-Bonds remained relatively stable (15.96 percent in January and 16.26 percent in February and March).

The largest sales were observed among 5-, 3- and 7-year ST-Bonds. Their total share constituted 92.9 percent of the total sales in Q1 2024.

In Q1, the structure of ST-Bonds holders (excluding 2-year ST-Bonds placed on the KSE) changed compared to the previous quarter. Almost half of all holders were institutional investors (the share decreased from 42.8 percent down to 42.2 percent), the share of commercial banks increased (from 22.9 percent up to 26.9 percent), at the same time, the share of resident

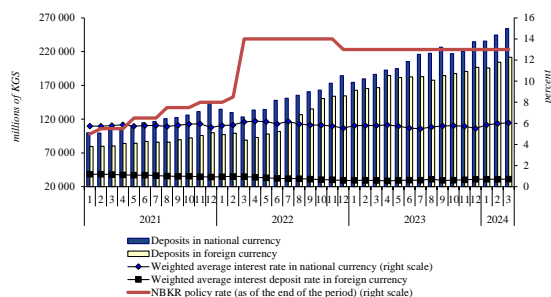
legal entities decreased (from 19.1 percent down to 15.3 percent), other participants together held 15.6 percent of all ST-Bonds in circulation.

In Q1 2024, 2-year ST-Bonds in the amount of KGS 190.0 million with the weighted average yield of 15.3 percent were sold on the platform of KSE CJSC.

Deposit Market

The deposit market demonstrated stable expanding of the banks’ resource base primarily in the national currency, which reflected a high level of public confidence in the banking system and attractiveness of deposits in the national currency.

Chart 3.2.7. Dynamics of Commercial Banks’ Deposits



At the end of Q1, the banks’ deposit base amounted to KGS 465.7 billion, having increased by 8.0 percent during the quarter. The growth of the deposit base was due to an increase in deposits both in the national currency (+8.3 percent, up to KGS 254.0 billion) and in foreign currency (+7.6 percent, up to KGS 211.7 billion).

The growth of deposits in the national currency was mainly due to growth of time deposits by 16.0 percent since December 2023, meanwhile current account deposits increased by 5.4 percent. Such dynamics contributed to change in the structure of KGS segment in the deposit base as related to a decrease in the share of current accounts down to 39.3 percent (-1.07 p.p.), demand deposits – down to 23.5 percent (-1.4 p.p.), and an increase in the share of time deposits up to 37.2 percent (+2.5 p.p.).

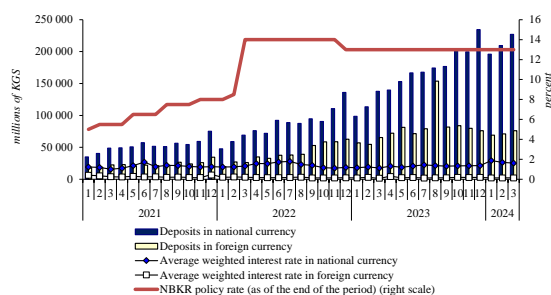
The growth of deposits in the national currency was mainly due to growth of time deposits by 16.0 percent since

December 2023, while dollarization of deposits amounted to 45.5 percent (-0.2 p.p. compared to December 2023), while dollarization adjusted for the policy rate remained at the same level (44.4 percent).

The deposit base in the national currency by persons consists mainly of residents’ deposits (97.6 percent of the total volume), particularly of individuals’ deposits (46.8 percent).

Whereas, the deposit base in foreign currency by persons is mainly formed by resident legal entities’ deposits (in particular, current accounts) (46.2 percent) and non-resident individuals’ deposits (mainly demand accounts) (26.3 percent).

Chart 3.2.8. Dynamics of Commercial Banks’ Deposits Flows



The weighted average interest rates on time deposits in the national currency remained high demonstrating slight upward trend compared to the indicator as of the end of Q4 2023.

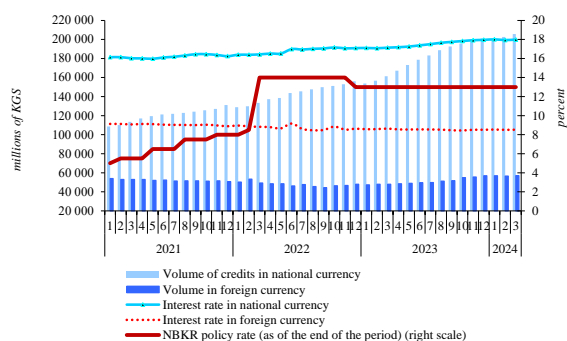
In March 2024, the interest rate on time deposits in the national currency (balances) increased by 0.1 p.p. compared to December 2023 and constituted 12.7 percent (+0.5 p.p. compared to the end of March 2023).

The interest rates on new time deposits in the national currency slightly decreased (-0.3 p.p.), down to 12.1 percent (+1.6 p.p. compared to the end of March 2023).

At the end of the reporting period, the concentration index¹ in the deposit market changed insignificantly since the beginning of 2024 and amounted to 0.11, which corresponds to the average level of concentration with nine participants with equal shares in the market.

Credit Market

Chart 3.2.9. Dynamics of Commercial Banks Credit Debt as of the End of the Period



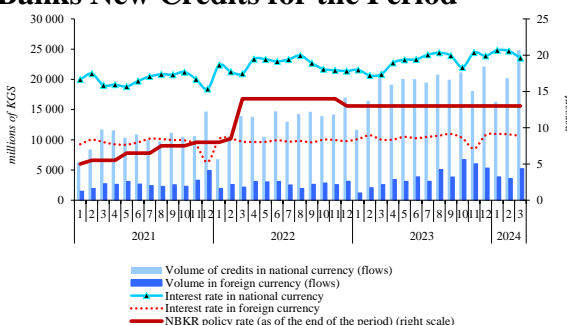
(+1.1 percent), and mortgage (+3.2 percent).

In the structure of the credit portfolio in the national currency in the context of persons, the share of 58.2 percent was accounted for the credits of resident individuals (+ 0.8 p.p. compared to December 2023), 41.7 percent – the credits of resident legal entities (– 0.8 p.p. compared to the end of Q4 2023), the share of non-residents – 0.2 percent. Thus, in the reporting period, the credit portfolio in the national currency increased due to higher growth rates of credits issued to resident individuals (an increase by 3.7 percent compared to the end of Q4 2023).

The credit portfolio in foreign currency increased by 0.3 percent, up to KGS 57 billion.

Trade and commercial operations (an increase by 0.04 percent compared to the end of Q4 2023), and industry (+8.5 percent) were the main sectors of lending in foreign currency.

Chart 3.2.10. Dynamics of Commercial Banks New Credits for the Period



December of the previous year (+0.01 p.p.) and made 8.53 percent. The credit market general concentration index was stable at 0.09, which corresponds to a low level of concentration and is equivalent to the division of the market among twelve banks. The sectoral concentration index was 0.34, which is equivalent to three main credit sectors.

In Q1 2024, lending to the economy was actively provided by the banks.

At the end of Q1, the banks' loan portfolio increased by 1.9 percent and amounted to KGS 262.7 billion. Growth of credits in the national currency by 2.3 percent, up to KGS 205.7 billion, conditioned an increase of the credit portfolio.

Growth of credits in the national currency was mainly conditioned by an increase of consumer credits (+5.4 percent), trade and commercial operations

However, there was a slight decline of growth rates in the construction sector (by - 0.06 percent since the end of Q4 2023).

The weighted average interest rate on the credit in the national currency amounted to 17.99 percent at the end of March (+0.03 p.p. since December 2023). The weighted average interest rate excluding consumer credits made 16.08 percent (+0.1 p.p. since December 2023). The weighted average interest rate on credits in foreign currency increased slightly since

¹ This index shows the degree of concentration in the portfolio of the banks. The concentration index is calculated by the method of calculating the Herfindahl-Hirschman index and is the sum of the squares of specific weights of the indicator in the total volume. The index takes values from 0 to 1. Index value less than 0.10 corresponds to a low level of concentration; from 0.10 to 0.18 – the average level of concentration; over 0.18 – high level of concentration. For example, a concentration index of 0.50 is equivalent to the presence of 2 participants with the same shares in the market, and 0.3 – 3 participants, etc.

At the end of Q1 2024, the qualitative characteristics of the credit portfolio were as follows: the share of overdue credits in the credit portfolio for 2023 increased up to 2.6 percent (+0.1 p.p.), the share of extended credits decreased down to 4.1 percent (-0.5 p.p.).

3.3. Dynamics of Monetary Indicators

The monetary sector’s and the government authorities’ transactions contributed to reduction of reserve money by 0.5 and 2.1 percent, respectively (with a total amount of KGS 6.4 billion) after long-lasting increase in the monetary base in Q3-4 2023. As a result, in Q1 2024, the monetary base decreased by 2.6 percent compared to the previous quarter and amounted to KGS 243.6 billion.

In January-February, the transactions of the monetary and government sectors made a negative contribution to growth of reserve money, meanwhile, in March 2024, both sectors made a positive input in the amount of KGS 12.8 billion.

In the structure of the monetary base, the main share of 82.9 percent (as of the end of Q1 2024) is traditionally formed by money in circulation, and the remaining part of 17.1 percent is accounted for the reserves of other deposit corporations.

Monetary Aggregates

During the quarter, all monetary aggregates, except for money outside banks (M0), demonstrated upward dynamics. Money outside banks (M0) decreased by KGS 1.8 billion (-1.0 percent), down to KGS 177.0 billion (in annual terms, growth was 7.8 percent) compared to Q4 2023 due to reduction of money in circulation (by 2.6 percent).

Growth of deposits in the national and foreign currencies was offset by a decline in the growth rates of other monetary aggregates. Time deposits in the national currency grew by 9.1 percent, up to KGS 77.7 billion amid continued attractiveness of funds deposited on savings accounts at high interest rates. At the same time, deposits in foreign currency grew by 8.2 percent and amounted to KGS 147.8 billion. Transferable deposits in the national currency increased by 1.6 percent and amounted to KGS 125.6 billion.

Thus, the dynamics of other monetary aggregates was as follows:

- *narrow money (M1)* grew by KGS 170.8 million (+0.1 percent) compared to the previous period and amounted to KGS 302.5 billion (in annual terms, growth by 19.0 percent);
- *broad money (M2)* increased by KGS 6.5 billion and amounted to KGS 380.2 billion (in annual terms, growth by 20.3 percent);
- *broad money, including deposits in foreign currency (M2X)* increased by KGS 17.8 billion and amounted to KGS 528.0 billion at the end of the period (in annual terms, growth by 22.4 percent).

The total volume of the deposit base included in M2X increased by 5.9 percent in annual terms and amounted to KGS 351.1 billion.

Chart 3.3.1. Input of the Government Sector and National Bank Transactions in Change of Monetary Base

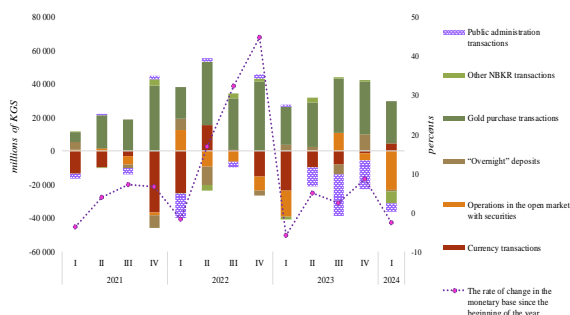
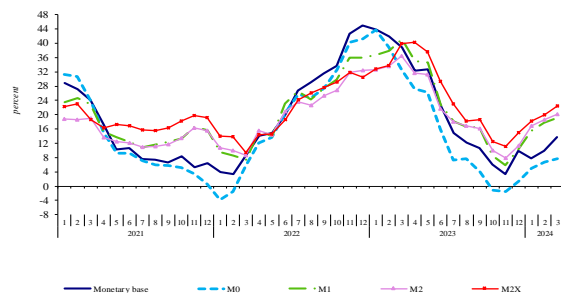


Chart 3.3.2. Nominal Growth Rates of Monetary Aggregates (in annual terms)



Chapter 4. Inflation Dynamics

4.1. Consumer Price Index

Chart 4.1.1. Dynamics of CPI Structure
(quarter to the corresponding quarter of the previous year)

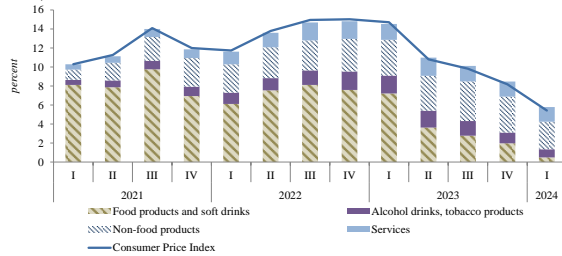


Chart 4.1.2. Dynamics of Food Prices' Contribution to Annual CPI
(month to the corresponding month of the previous year)

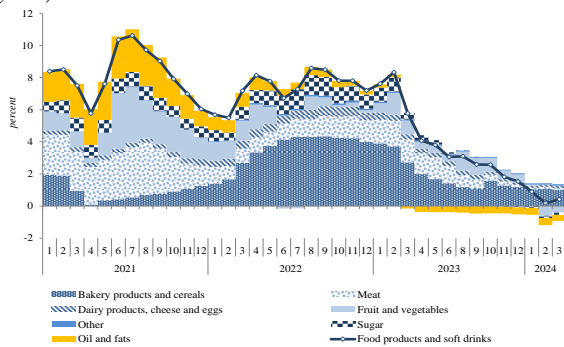


Chart 4.1.3. Dynamics of Non-Food Prices' Contribution to Annual CPI
(month to the corresponding month of the previous year)

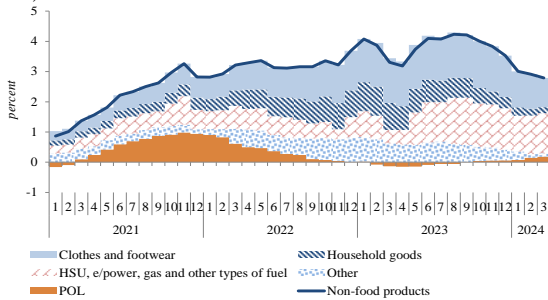
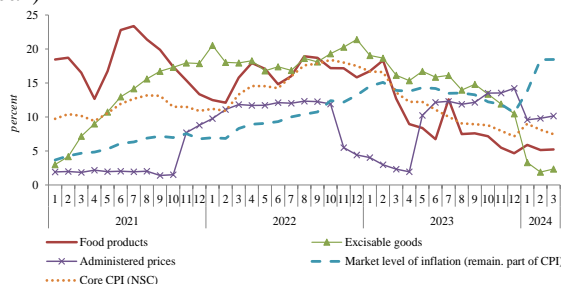


Chart 4.1.4. Dynamics of CPI by Groups of Commodities
(month to the corresponding month of the previous year)



In March 2024, the annual inflation rate in the Kyrgyz Republic was 5.2 percent, in Q1 2024 (quarter-on-quarter), the annual inflation rate slowed down to 5.4 percent from 8.2 percent in Q4.

In March 2024, contribution of the food products to annual CPI decreased by 5.3 p.p. compared to March 2023 and amounted to 0.4 p.p. due to gradual decline in prices in the world food markets, as well as introduced temporary measures on government regulation of prices for flour and wheat in the domestic market being in effect since October 2023 until February 1, 2024. In the reporting period, slight increase in prices for bakery products and cereals, meat and dairy products made the main upward contribution to the CPI in the commodity group. At the same time, there was a decrease in prices for sugar, oils and fats, fruits and vegetables.

The downward trend of price growth demonstrates more restrained growth rates in the non-food commodity group. In March 2024, prices for non-food products increased by 9.6 percent in annual terms. In March 2024, contribution of non-food products to annual CPI decreased by 0.5 p.p. compared to the corresponding month of the previous year and amounted to 2.8 p.p. This dynamics reflects the impact of geopolitical tension in the world, price volatility in the world markets of oil products, the effect of the state tariff policy measures and the current increased domestic demand.

Moderate downward dynamics of the inflation rate in the non-food commodity group is mainly conditioned by growth of prices in the groups such as “housing services, water, electricity, gas and other fuels”, “clothes and footwear”, “household goods and household appliances”, as well as gasoline.

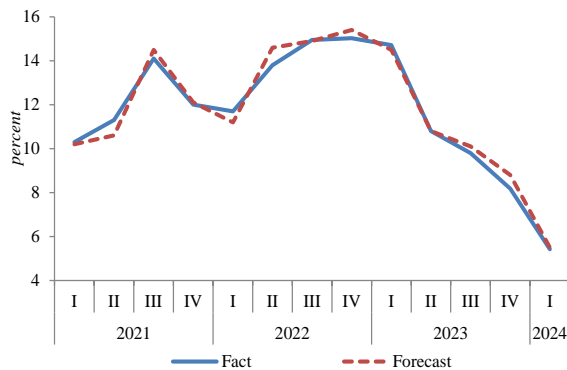
In March 2024, growth in prices for paid services was 9.2 percent in annual terms, contribution to the overall CPI was

1.6 p.p. Dynamics of prices for services is conditioned by an increase in prices in the groups “restaurants and hotels”, “health care”, “miscellaneous goods and services” and “communications”, as well as rise in prices for transport services due to an increase in the tariffs for public transport since January 30, 2024. In March 2024, the core inflation growth rate increased compared to the overall CPI and amounted to 6.0 percent in annual terms.

4.2. Comparison of Forecast and Facts

Chart 4.2.1. Actual and Forecasted CPI Values

(quarter to the corresponding quarter of the previous year)



At the end of Q1 2024, the actual inflation rate slightly decreased compared to the forecasted value expected by the National Bank. Deviation of the actual inflation rate from the forecasted one amounted to 0.1 p.p.

Inflation Expectations

In Q1 2024, according to the surveys of the NSC KR, inflation expectations of the population decreased compared to the previous quarter, however they still remain at a relatively high level. Despite decline in price expectations among the enterprises, they are still high compared to the actual inflation rate, as shown in Chart 4.2.3.

In Q1 2024, price expectations of the population still exceed the actual inflation rate. The share of respondents expecting accelerated price growth decrease gradually, however it is still high. Inflation expectations are largely conditioned by the actual inflation rate in Q1 2024, as well as by an increase in tariffs for electricity, water, heating and the news about an increase in public transportation fares.

Chart 4.2.2. Actual Inflation Value, Observed and Expected Inflation of Households

(quarter to the corresponding quarter of the previous year)

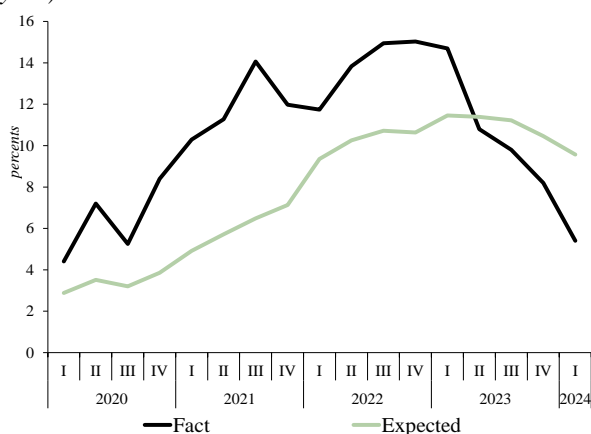
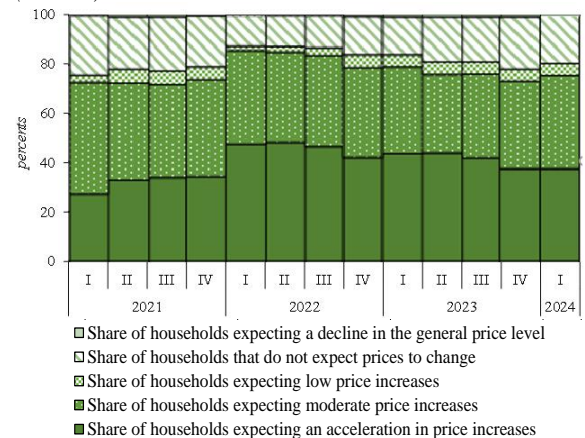


Chart 4.2.3. Distribution of Households' Answers

(shares)



As a result of the study of the World Bank data conducted among 1,500 households in the Kyrgyz Republic regarding inflation expectations (Chart 4.2.4 and Chart 4.2.5), it was revealed that the trend is consistent with the results of the NSC KR surveys. In January 2024, there is a general decrease in households' price expectations.

Chart 4.2.4. Actual Inflation Value, Observed and Expected Inflation of Households (WB)

(month to the corresponding month of the previous year)

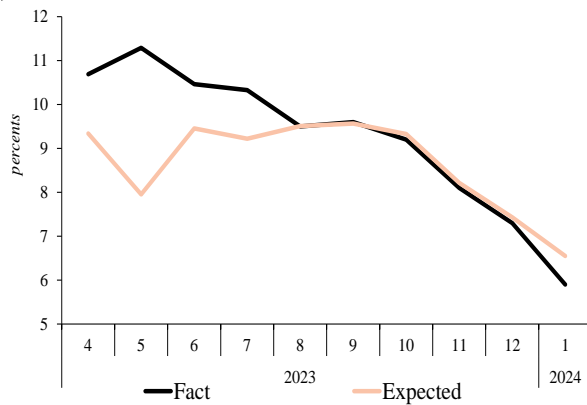
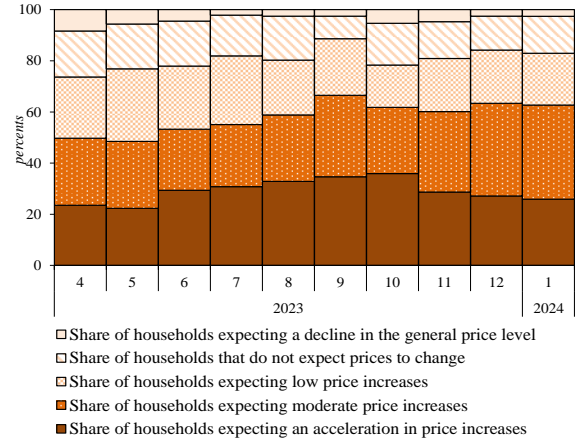


Chart 4.2.5. Distribution of Households' Answers (WB)

(shares)



In general, in Q1 2024, inflation expectations of the enterprises declined generally, which correlates with the current dynamics of the actual inflation rates. It is worth noting that the inflationary environment is formed depending on the intensity of adopted new tariffs by the government authorities, as well as uncertainty worldwide.

Chart 4.2.6. Actual Inflation Value, Observed and Expected Inflation of Enterprises

(month to the corresponding month of the previous year)

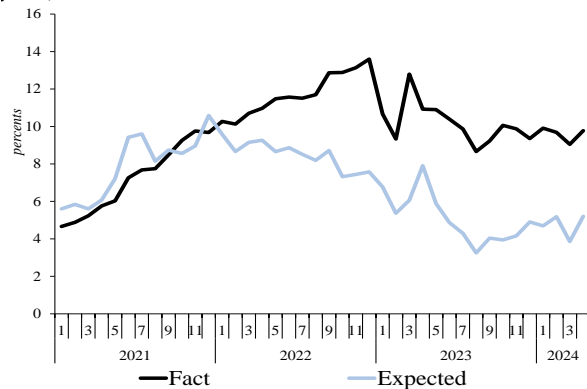
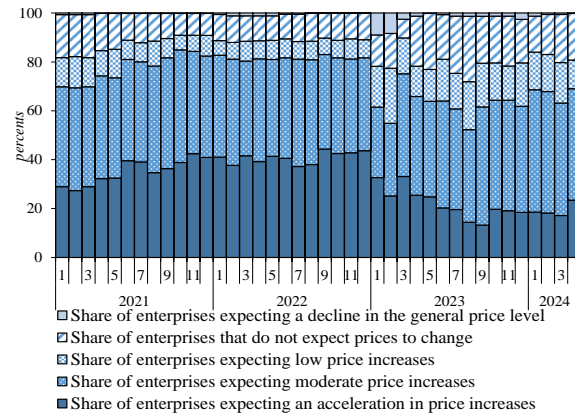


Chart 4.2.7. Distribution of Enterprises' Answers

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Chapter 5. Medium-Term Forecast

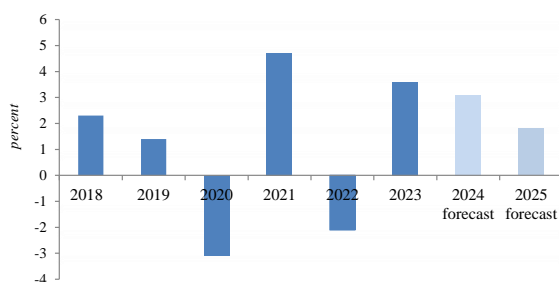
5.1. External Environment Proposals

5.1.1. Development Forecast of Main Trading Partner Countries

Russia

Chart 5.1.1.1. Real GDP Growth in Russia

(year to year)



Source: IMF, IA Bloomberg, Ministry of Economic Development of the Russian Federation, Bank of Russia

Forecasts of GDP growth in Russia were revised upward for 2024.

On April 26, 2024, the Bank of Russia revised its GDP growth forecast for 2024. According to new expectations, the economy will grow by 2.5-3.5 percent against 1.0–2.0 percent of the previous forecast made in February. At the same time, the Bank of Russia kept its estimates for 2025 within the range of 1.0-2.0 percent, giving reasons for economic return to sustainable growth in light of potential growth and structural changes.

The IMF analysts also revised their GDP forecast for 2024, raised it by 0.6 p.p.

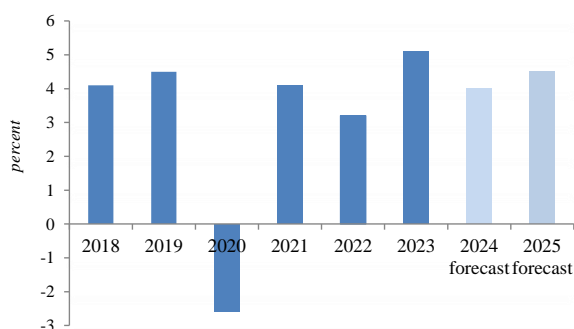
compared to the previous estimate, up to 3.2 percent. In 2025, the IMF expects Russia’s GDP growth at 1.8 percent. The IMF analysts indicate high budget expenditures, active investments and high domestic demand are the main factors of economic growth¹.

Pro-inflationary risks remain significant in Russia, the main reasons for which relate to changes in the terms of foreign trade, as well as under the influence of geopolitical tensions with high inflation expectations and high budget expenditures (military, social expenses and preferential programs to support important economic sectors). The disinflationary risk is faster slowdown in domestic demand compared to expectations in the baseline scenario. According to the Bank of Russia’s baseline forecast, tight monetary conditions will result in the inflation rate of 4.3–4.8 percent in 2024 and return to 4 percent in 2025.

Kazakhstan

Chart 5.1.1.2. Real GDP Growth in Kazakhstan

(year to year)



Source: IA Bloomberg, international financial institutions

Moderate economic growth is forecasted in 2024, with acceleration in 2025.

The NBRK’s forecasts for 2024 were raised from 3.2–4.2 percent up to 3.5–4.5 percent. According to the NBRK’s February monetary policy report, economic growth will be provided by investment projects implementation in various sectors of the economy (in industry, agriculture, energy, transport and other sectors). GDP growth will be restrained by the positive dynamics of domestic demand, which will stimulate

imports, as well as postponed implementation of the TCO FGP/WPMP² project and moderate crops exports due to poor harvest in 2023. The forecast for 2025 remained unchanged at 5.5-6.5 percent.

¹ World Economic Outlook (IMF, April 2024)

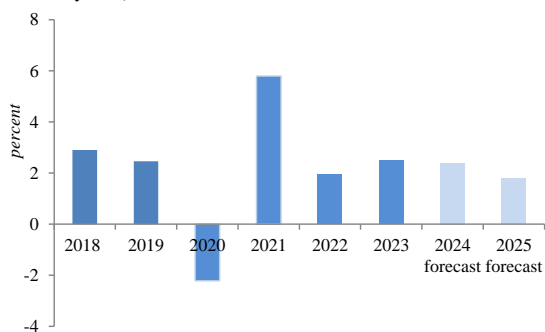
² Future Expansion Project/Wellhead Pressure Management Project (FGP/WPMP) TCO

The NBRK’s forecast for inflation rate in 2024 and 2025 was kept unchanged at 7.5–9.5 percent and 5.5–7.5 percent, respectively. Previously outlined prerequisites and forecast dynamics direction changed insignificantly. Pro-inflationary risks will be as follows: pressure from growth of real wages and consumer lending, which will continue to support stable domestic demand for non-food products and market services, as well as rise in prices for regulated services due to further reforms in the sphere of housing and utilities services. The disinflationary risk is a decline of the producer prices in agriculture and the world prices for food products (oils and fats, sugar and crops).

USA

Chart 5.1.1.3. Real GDP Growth in the USA

(year to year)



Source: IA Bloomberg, international financial institutions

increase by 2.3 percent in 2024 and by 1.7 percent in 2025.

Annual inflation demonstrates stable slowdown, meanwhile the core inflation remains high (in March 2024, 3.8 percent). The US Federal Reserve System’s median forecast for PCE inflation¹ constitutes 2.4 percent for 2024 and 2.2 percent for 2025.

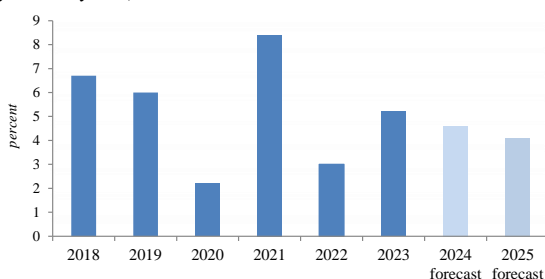
The international financial analysts slightly raised their forecasts for US GDP growth in 2024-2025, however economic growth demonstrates stable slowdown due to possible decline in the growth rates of private consumption and investment in response to measures taken earlier to tighten monetary conditions and geopolitical risks.

The US Federal Reserve System forecasts GDP to increase by 2.1 percent in 2024 and by 2.0 percent in 2025. *Bloomberg* analysts expect the average US GDP to

China

Chart 5.1.1.4. Real GDP Growth in China

(year to year)



Source: National Bureau of Statistics of the PRC, international financial institutions

in the real estate market. Nevertheless, *Bloomberg* analysts raised their forecast for China’s economic growth from 4.5 percent up to 4.7 percent in 2024 amid GDP growth in Q1 2024.

In March 2024, the inflation rate increased by 0.1 percent due to higher demand in February, when the Chinese New Year was celebrated. China’s inflation target is set at 3.0 percent. The IMF expects China’s inflation rate at 1.0 percent in 2024. Weak domestic demand and high production output suggest that the inflation rate will remain low.

China’s GDP forecasts for 2024 were kept unchanged due to weak consumer demand in the real estate market.

The government of China set economic growth target of about 5 percent for 2024 in March of the current year. The IMF kept China’s GDP growth expectations unchanged: a decrease down to 4.6 percent for 2024, a decrease down to 4.1 percent for 2025. These forecasts indices are explained by long-lasting decline in consumer demand

¹ The Personal Consumption Expenditure Price Index (PCE inflation) is among inflation indicators in the USA that tracks changes in prices of goods and services purchased by the consumers throughout the economy. PCE includes the broadest set of goods and services among all indicators of consumer price inflation.

5.2. Medium-Term Forecast

When developing monetary policy, the National Bank of the Kyrgyz Republic relies on modeling results and analyses of various economic growth scenarios in the medium term. Forecasting is made taking into account as many shocks and preconditions of the current period as possible, as well as based on expert assessments and forecasts of the world research agencies and institutions.

Inflation slowdown dynamics was still observed in the Kyrgyz Republic in Q1 2024. The vector chosen in 2022 to tighten the monetary policy and gradual stabilization of external conditions contributed to the inflation decline. The downward dynamics of price growth is observed in all main commodity groups.

In the reporting quarter, the price environment in the world food and commodity markets remained multidirectional: the FAO price index gradually declined, meanwhile the prices for energy resources demonstrated volatility. The experts expect global uncertainty worldwide during 2024.

In Q1 2024, business activity in the Kyrgyz Republic demonstrated high indicators. Fiscal policy measures as well as growing consumer lending contributed to an increase in domestic demand.

Baseline scenario of the medium-term forecast takes into account the following external economic development conditions: decrease of the impact of uncertainty worldwide, moderate economic growth of the main trading partner countries, price stability in the world commodity markets. Domestic factors of development assume gradual reduction of inflationary expectations of the population and enterprises, as well as proactive fiscal policy.

The following forecast of the key macroeconomic indicators of the Kyrgyz Republic for 2024-2025 was developed considering the emerging trends in the economic development of the trading partner countries, as well as the price movement in the world commodity markets in the medium term.

Conducted analysis shows that, in 2024, the real sector of the economy of Kyrgyzstan will demonstrate growth not lower than the average level of the last three years.

Chart 5.2.1. Forecast of Real GDP

(quarter to the corresponding quarter of the previous year)

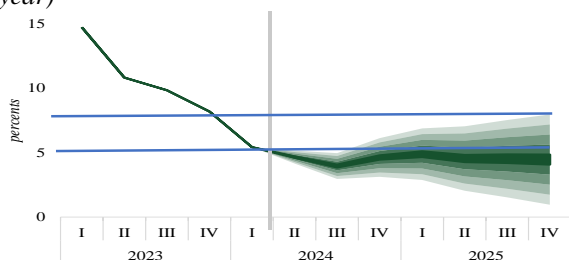


At the end of 2024, the real GDP growth is estimated at about 6.9 percent. This growth will be supported by the manufacturing industry, wholesale and retail trade, as well as the construction sector, demonstrating strong growth due to the fiscal policy measures taken by the Cabinet of Ministers of the Kyrgyz Republic and observed high activity of the business entities.

In 2025, the real GDP growth rates are forecasted at 5.0 percent.

Chart 5.2.2. Inflation Forecast

(quarter to the corresponding quarter of the previous year)



Given the current economic conditions, in 2024, the inflation rate is expected to be near the lower boundary of the medium-term target range.

Slowdown in the food component of inflation is largely conditioned by the price situation in the world food market.

In the current year, prices for food products will show stable decline in growth

amid high base of the previous year and the current favorable situation in the world food and energy market.

Prices for non-food group of goods and services will demonstrate slower downward dynamics of growth rates, which is conditioned, among other things, by the impact of tariff policy measures taken by the government. The forecast for non-food inflation remains moderately high with gradual decline by the end of 2024.

At the end of 2025, the inflation rate is expected at 5.8 percent.

The following factors will be the main drivers of inflationary pressure: external conditions due to long-lasting uncertainty worldwide, relatively tight monetary policy of developed countries, increased domestic demand and moderately high inflationary expectations of the economic agents.

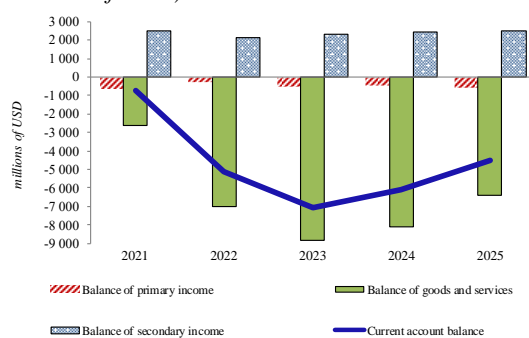
2024-2025 Balance of Payments Forecast¹

Forecast of the country's balance of payments indicators for 2024 was adjusted based on the data of the actual period and specified initial development conditions of the trading partner countries of the Kyrgyz Republic. As before, the external sector is still characterized by a high degree of uncertainty.

At the end of 2024, the negative balance of goods and services account and the primary income balance is expected to be a determining factor for a current account deficit to be formed at 40.4 percent to GDP.

Chart 5.2.3. Forecast Data on Current Account

(millions of USD)



Expectations on external trade are adjusted by the data of the actual period and short-term prospects. Terms of trade in the region, the world prices for food and energy resources, as well as gold exports by the Kyrgyz Republic will significantly influence the export and import indicators.

According to the National Bank's estimates, continued dynamics of trade will predetermine a high level of trade deficit.

In accordance with forecast, based on the results of 2024, exports will diminish by 4.6 percent compared to 2023. Supplies of intermediate and consumer goods will make a

significant contribution to an increase in exports.

Imports will remain at a rather high level. At the same time, their contraction is expected (imports are forecasted to decline by 8.0 percent compared to 2023). As before, consumer and intermediate goods will remain prevalent in the structure of imports.

Data of the actual period served as a basis for revision of the forecast on the secondary income balance. In conformity with the updated forecast of the National Bank, the secondary income balance will grow up mainly due to the gain of receipts on the item "workers' remittances" by 4.9 percent. An increase by 2.3 times is expected in the inflow of cash grants in the general government sector compared to the previous year.

The services balance will develop negative under the influence of persistent high volumes of import of transport services given the expected commodities turnover and a decrease in receipts on the item "travels".

Expected current account deficit will require a substantial amount of financing from the financial account. Direct and other foreign investments are expected to be the leading source of financial capital inflow. The volume of servicing previously received credits of the private sector will remain at lower level in contrast to the previous year.

¹ The forecast was made taking into account additional estimates of the National Bank of the Kyrgyz Republic used in the actual period.

Revised development forecast of the external sector of the economy in 2024 determined the following vector of expectations for the balance of payments in 2025.

In 2025, the current account balance will be formed at 27.1 percent to GDP under the influence of a combination of factors associated with a shrinkage of the trade deficit, cutback of the negative balance of services, as well as persistent positive dynamics in the inflow of the secondary income balance.

According to the National Bank's estimates, expected growth in exports by 6.9 percent and decrease in imports by 11.3 percent will affect the reduction of the trade deficit (by 19.0 percent compared to 2024). The volume of receipts on the item "workers' remittances" of the secondary income balance is expected to increase by 2.8 percent compared to 2024.

At the same time, it should be noted that in 2025 there is still a risk of insufficient inflow of foreign capital on the financial account, which may require additional financing by the National Bank's international reserves. A considerable share of capital inflows is expected to be provided through direct foreign investment and other investments to the private sector.

The following risks remain in the elaborated forecast of the balance of payments of the Kyrgyz Republic for 2024-2025:

- high degree of geopolitical uncertainty;
- volatility of exchange rates of the main trading partner countries;
- growing debt burden of the private sector.

Annex 1. Key Macroeconomic Indicators

(quarter to the corresponding quarter of the previous year, if otherwise is not indicated)

Indicator	Unit of measure	2021				2022				2023				2024
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
1. Demand and supply¹ <i>(real growth rates, if otherwise is not indicated)</i>														
Nominal GDP, per quarter	mn. KGS	137 662.6	172 402.9	224 058.7	248 730.1	168 137.2	227 481.2	292 245.0	332 881.2	210 822.5	273 978.9	350 607.9	393 489.5	248 821.6
GDP	%	-4.8	6.3	3.8	13.3	3.4	8.3	8.2	13.2	2.8	1.7	5.8	11.2	8.8
Domestic consumption	%	-1.2	12.3	11.7	32.8	17.5	7.8	13.3	19.3	1.6	11.3	6.8	13.0	
Investment	%	20.6	108.9	6.7	15.2	-9.9	249.0	68.4	10.9	33.3	-35.5	14.5	-5.4	
Net export	%	30.9	159.4	46.6	91.7	39.3	384.7	84.2	28.5	110.1	88.7	69.1	60.3	
<i>GDP production:</i>														
Agriculture	%	1.2	-5.2	-6.7	-2.0	1.5	3.9	8.0	10.8	0.0	0.6	-1.2	4.8	1.4
Industry	%	-15.6	-5.8	0.6	43.9	8.2	22.8	20.2	1.8	8.7	-7.7	-1.0	11.2	4.7
Construction	%	-20.3	-13.2	-4.0	2.7	-1.4	5.2	-1.0	19.1	2.2	16.4	19.0	5.1	53.8
Services	%	-1.2	6.5	5.8	3.3	1.8	4.6	3.7	8.9	1.4	2.3	2.5	3.0	5.1
including trade	%	-2.7	13.1	8.8	8.0	2.7	5.3	6.9	10.5	1.5	4.3	8.9	7.7	8.0
2. Prices²														
CPI	%	110.3	111.3	114.1	112.0	111.7	113.8	115.0	115.0	114.7	110.8	109.8	108.2	105.4
CPI, in annual terms as of the end of period	%	110.2	114.2	113.5	111.2	113.2	113.1	115.5	114.7	112.7	110.5	109.6	107.3	105.2
Core inflation	%	110.1	110.6	113.0	111.3	111.8	114.4	117.4	118.0	115.6	111.8	109.3	108.0	106.2
<i>CPI by main groups of goods and services:</i>														
Food products	%	117.9	117.3	121.5	115.3	113.5	116.6	117.9	116.7	115.9	108.0	106.1	104.3	101.1
Non-food products	%	103.7	106.4	108.6	110.4	110.3	111.2	110.9	111.8	121.9	120.5	117.9	113.1	109.8
Alcohol drinks and tobacco products	%	106.0	108.3	110.4	111.3	113.6	114.9	117.8	122.5	112.9	112.7	114.4	113.1	110.0
Services	%	103.3	104.1	105.0	105.4	107.9	109.0	111.1	111.0	109.9	111.2	109.6	109.3	109.1
<i>CPI, classified by character:</i>														
Excisable goods	%	102.1	102.3	115.5	117.7	118.8	117.5	117.9	120.3	117.9	116.0	114.9	111.9	109.8
Regulated prices	%	102.7	102.7	101.8	106.0	110.9	111.9	112.2	107.0	103.1	108.1	112.1	113.8	116.9
Market inflation rate (the rest of CPI)	%	101.0	102.2	106.8	107.1	107.4	109.1	110.4	112.6	114.5	114.1	113.4	111.6	108.2
3. External sector³ <i>(in percent to GDP)</i>														
Trade balance	% to GDP	-18.3	-18.0	-21.7	-26.2	-34.5	-45.9	-56.5	-56.6	-57.9	-60.2	-57.8	-58.8	-62.2
Current transaction account	% to GDP	3.5	4.5	-1.0	-8.0	-18.3	-32.1	-43.1	-42.1	-42.9	-46.1	-46.9	-50.4	-55.1
Export of goods and services	% to GDP	28.9	36.4	36.8	35.7	34.8	28.3	26.6	29.7	31.6	33.4	36.2	39.0	37.5
Import of goods and services	% to GDP	50.0	57.0	60.8	64.2	71.6	76.2	84.9	87.2	90.0	95.5	97.2	102.5	106.1
4. USD exchange rate, as of the end of period														
	KGS	84,7792	84,6640	84,7907	84,7586	83,3090	79,5000	80,1829	85,6800	87,4200	87,2267	88,7100	89,0853	89,4708
5. Monetary sector														
NBKR policy rate, as of the end of period	%	5.50	6.50	7.50	8.00	14.00	14.00	14.00	13.00	13.00	13.00	13.00	13.00	13.00
Rate of "overnight" deposit, as of the end of period	%	3.25	4.25	5.25	5.50	12.00	12.00	12.00	10.00	10.00	11.00	11.00	11.00	11.00
Rate of "overnight" credit, as of the end of period	%	6.00	7.00	8.00	8.50	16.00	16.00	16.00	15.00	15.00	15.00	15.00	15.00	15.00
Average interest rates of operations in the interbank credit market, per quarter	%	4.15	5.32	6.52	6.82	8.85	14.66	13.00	11.99	10.52	11.29	11.64	12.11	11.71
<i>of which:</i>														
of REPO transactions	%	4.15	5.32	6.52	6.82	8.85	14.66	13.00	11.99	10.52	11.29	11.64	12.11	11.71
of credits in national currency	%	-	-	-	-	-	-	-	-	-	-	-	-	-
of credits in foreign currency	%	-	-	7.00	-	-	-	-	-	-	-	-	-	-
Weighted average yield of 7-day notes, as of the end of period	%	4.37	5.16	6.10	6.57	11.86	13.11	12.82	11.41	10.35	11.57	11.86	11.95	11.95
Weighted average yield of 14-day notes, as of the end of period	%	4.84	5.72	6.54	6.93	11.45	13.57	13.11	12.17	11.27	11.82	12.01	12.01	
Weighted average yield of 28-day notes, as of the end of period	%	4.99	6.08	6.89	7.26	11.09	13.82	13.46	12.57	12.37	12.16	12.11	12.08	12.09
Weighted average yield of 91-day notes, as of the end of period	%	5.28	5.43	7.45	-	8.79	-	15.19	13.81	13.52	13.98	13.88	13.78	13.96
Weighted average yield of 182-day notes, as of the end of period	%	-	-	-	-	-	-	-	-	-	14.67	14.79	14.90	14.74
Monetary base	%	24.2	10.7	6.6	6.5	8.8	19.8	31.7	44.9	38.8	22.5	10.8	9.9	13.7
Money outside banks (M0)	%	23.7	9.2	5.8	0.5	5.7	20.5	27.5	41.3	32.5	16.0	4.0	1.3	7.8
Monetary aggregate (M1)	%	22.9	12.4	12.3	15.7	7.4	23.1	27.3	36.1	41.2	22.7	16.4	10.2	19.0
Narrow money supply (M2)	%	18.9	12.0	11.7	15.6	8.6	20.8	25.3	32.5	36.5	21.6	16.2	11.4	20.3
Money supply (M2X)	%	18.6	16.9	16.2	19.1	9.5	18.6	27.5	30.6	40.0	29.4	18.7	15.0	22.4

¹ Estimates of the National Bank of the Kyrgyz Republic on the basis of the data provided by the National Statistics Committee of the Kyrgyz Republic² Source: National Statistics Committee of the Kyrgyz Republic³ Coefficients were calculated on the basis of the sliding annual data for the last 4 quarters. Data for Q1 are preliminary

Annex 2. Glossary

Balance of payments is a report, which reflects aggregate economic transactions between the residents and non-residents within a certain period of time.

Consumer price index reflects changes in the prices for goods and services purchased by the standard consumers for non-production purposes. This index is among inflation rate measures, which is based on comparing the value of basic goods basket consumed by the population and weighted in accordance with the share of these goods in the aggregate consumption.

Core inflation is inflation, which excludes short-term, structural and seasonal changes of prices: the growth in prices of goods due to the seasonal, the external factors and the administratively established tariffs is excluded from the calculation of the inflation rate.

Core CPI index is a price excluding the cost of food products, electric energy, gas, and other fuels.

Deposits included in M2X are the deposits of the individuals and legal entities, as well as the deposits of other financial-credit institutions, however, the deposits of the state administration bodies and non-residents are excluded.

Dollarization is extensive use of the US dollars in the domestic currency circulation of the country, which possess own national currency.

Inflation is the upward trend in the general level of prices within the certain period, which is determined based on the value calculation for the basket of goods and services weighted by the structure of consumer expenses of the standard household. The consumer price index is an indicator, which characterizes the inflation rate in the Kyrgyz Republic.

Monetary aggregate is the money supply classified according to degrees of liquidity: M0; M1; M2; M2X.

M0 – cash in hands.

M1 – M0 + residents' transferable deposits in the national currency.

M2 – M1 + residents' time deposits in the national currency.

M2X – M2 + settlement (current) accounts and residents' deposits in foreign currency.

Monetary base is the obligations of the National Bank on cash in circulation, and the obligations of the National Bank to other depository corporations in the national currency.

Monetary policy transmission mechanism is a transmission mechanism that characterizes the process of impact of monetary policy decisions on price dynamics through channels of influence: interest rate, exchange rate, credit and communication channels.

Net balance of payments is a difference between receipts from the foreign countries and payments transferred to the foreign countries.

Net balance of trade is a difference between the cost of export and import

Notes are the discount securities, issued in circulation by the National Bank of the Kyrgyz Republic. By decision of the Monetary Regulation Committee of the National Bank, the notes can be issued for the period from 7 to 364 days. The notes maximum profitability is set to be equal to the policy rate as of the auction day.

Other depositary corporations are all resident financial corporations, except for the central bank, which main activities are aimed at financial intermediation and which issue obligations included into the national definition of the broad money stock (M2X).

Policy rate is a monetary policy tool, which represents an interest rate set by the central bank and is used as the basic reference point when determining the value of monetary resources in the economy.

REPO transactions are the operations on purchase/sale of the government securities in the secondary market with an obligation of their resale/repurchase on a certain date in the future at the pre-agreed price.

State Treasury Bills are the short-term (3-, 6-, 12-month) discount government securities issued by the Ministry of Finance of the Kyrgyz Republic. Placing issues of the ST-Bills is made through weekly auctions conducted by the National Bank of the Kyrgyz Republic. Direct participants enjoy the right to participate in the auctions. The owners of the ST-Bills of the Kyrgyz Republic can be both the legal entities and the individuals. The admission of the foreign investors to the market of the ST-Bills is not limited. The transactions in the secondary market of the ST-Bills are conducted through the electronic trading system of the National Bank of the Kyrgyz Republic, which allows the participants to conduct transactions on purchase/sale of the ST-Bills from their workplaces.

State Treasury Bonds are the long-term government securities with the interest income (coupon) and maturity over one year issued by the Ministry of Finance of the Kyrgyz Republic. The National Bank of the Kyrgyz Republic is the general agent servicing the issues of the ST-Bonds.

Annex 3. Abbreviations

CB	Commercial Banks
CBA	Central Bank of Armenia
CBRF	Central Bank of the Russian Federation
CJSC	Closed Joint Stock Company
CPI	Consumer Price Index
CT MF KR	Central Treasury of the Ministry of Finance of the Kyrgyz Republic
EAEU	Eurasian Economic Union
FAO	Food and Agriculture Organization of the United Nations
FOB	Cost at the Exporter's Border (Free on Board)
FRS	US Federal Reserve System
GDP	Gross Domestic Product
GS	Government Securities
IBCM	Interbank Credit Market
IMF	International Monetary Fund
KR	Kyrgyz Republic
KSE	Kyrgyz Stock Exchange
MED RF	Ministry of Economic Development of the Russian Federation
MFKR	Ministry of Finance of the Kyrgyz Republic
MP	Monetary Policy
National Bank	National Bank of the Kyrgyz Republic
NB RK	National Bank of the Republic of Kazakhstan
NSC KR	National Statistical Committee of the Kyrgyz Republic
OPEC +	Organization for Petroleum Exporting Countries
OR	Oil Refinery
PCE	Personal Consumption Expenditures Price Index
POL	Petroleum, oil, lubricants
RF	Russian Federation
ST-Bills	State Treasury Bills
ST-Bonds	State Treasury Bonds
USA	United States of America
VAT	Value Added Tax
WB	World Bank