



КЫРГЫЗ БАНКЫ

# **Monetary Policy Report. Q4 2024**

**Bishkek  
February 2025**

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.

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## Summary

**In general, the world economy was characterized by stable multidirectional upward dynamics depending on the region.** The USA demonstrated recovery of economic activity, meanwhile, the eurozone suffered the influence of consequences of the geopolitical and economic challenges. The economies of Russia and Kazakhstan showed stable positive dynamics. The world food and energy markets and the global financial markets remained highly volatile due to sustainable uncertainty. The world prices for gold were also volatile being accompanied by an upward trend.

**The economy of the Kyrgyz Republic still demonstrated high growth rates due to the expansion of investment and consumer demand.** At the end of 2024, real GDP increased by 9.0 percent. The sectors of services and construction made the most significant contribution to GDP growth. Domestic demand was conditioned by growth in real incomes of the population, increase in consumer lending, and inflow of remittances into the country. At the end of 2024, the state budget was executed with a surplus of 2.4 percent to GDP due to outstripping growth of incomes compared to expenditures conditioned by increased economic activity.

**In Q4 2024, the trade balance was formed under the influence of a significant increase in exports amid a decrease in imports to the Kyrgyz Republic.** As a result, the trade deficit of the country decreased by 71.9 percent compared to the base indicator of Q4 2023 and amounted to USD 583.9 million. The volume of foreign trade turnover grew by 7.4 percent and amounted to USD 4.9 billion.

**The inflationary environment in the Kyrgyz Republic remained moderate, price movement was within the medium-term inflation targets of 5-7 percent.** Revision of the state tariff policy and growth of domestic consumption, as well as external factors, influenced the inflation rate in the Kyrgyz Republic. Supported monetary conditions conditioned long-lasting price stability in the country. In December 2024, the annual inflation rate was 6.3 percent.

**The short-term rates of the interbank money market were still formed near the lower rate of the interest rate corridor** set around the National Bank's policy rate. The banking system showed a liquidity surplus due to decreased activity in the interbank credit market. To regulate the volume of money supply in the economy, the National Bank actively used monetary instruments regulating excess liquidity in the banking system.

**In general, the situation in the domestic foreign exchange market remained stable.** The exchange rate remained flexible, its dynamics were conditioned by seasonal factors and market formation of the balance of demand and supply of foreign currency in the domestic foreign exchange market. In certain periods, the National Bank conducted foreign exchange interventions to smooth sharp fluctuations in the exchange rate.

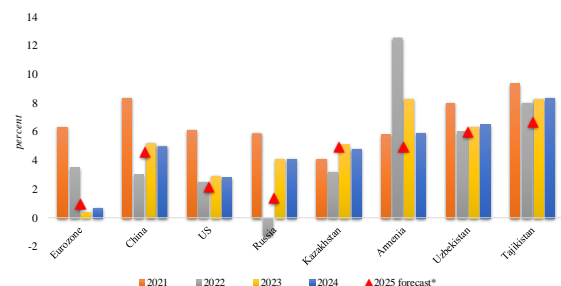
**The banking system of the country still provided active lending to the main sectors of the economy and continued to build up its resource base.**

## Chapter 1. External Environment

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

#### Chart 1.1.1. Dynamics of Real GDP by Countries

(annual growth rate)



Source: statistical committees, central banks, Bloomberg IA  
Forecasts: IMF, WB, Bloomberg IA and ministries

During 2024, the economies of the leading countries retained moderate growth.

The US economy showed stable dynamics at 2.8 percent amid improvement in the labor market and growth in consumer activity. Positive dynamics in services and production contributed to achievement of the economic indicator above the long-term potential, which, according to the assessment of the US Federal Reserve System, was 1.8 percent.

At the same time, significant changes in the US government's trade and investment

policies had a positive impact on the market participants expressed in gradual increase in the indicators of business activity in Q4 2024. The forecasts for US economic growth in 2025 were improved up to 2.1-2.7 percent amid positive expectations in the areas of employment and investment.

**China's** accommodative fiscal policy in the form of government subsidies supporting domestic demand, the issuance of local targeted bonds to stimulate the housing market, and a package of measures for the development of the real economy have contributed to attaining planned economic growth by 5.0 percent in 2024. Moderate economic growth is expected in the future amid fiscal measures taken earlier, which will contribute to mitigating the negative impact of trade policy uncertainty and stimulate the growth of investments.

In the **eurozone**, economic growth slowed down to 0.7 percent<sup>1</sup> mainly due to a reduction in the industrial production output amid high prices for energy carriers and uncertain political and trade prospects in the largest countries of the union. The labor market remained stable, meanwhile, growth of wages creates preconditions for growth in consumer demand and economic recovery.

**The EAEU countries<sup>2</sup>, Uzbekistan, and Tajikistan** showed strong economic growth supported by investment activity and accommodative fiscal policy. At the same time, consumer demand was the driver of economic growth in the countries – the main trading partners of the Kyrgyz Republic, which was supported by the growth of wages, government expenditures in the social sector, and lending.

In 2024, economic growth in Armenia, Uzbekistan, and Tajikistan exceeded those of other EAEU countries, meanwhile, the highest real GDP growth of 8.4 percent was observed in Tajikistan, which was driven, among other things, by increased investment and growth in exports. Among EAEU countries, the lowest real GDP growth was in the Russian Federation at 4.1 percent.

During 2024, credit activity in the Russian Federation, particularly in retail lending, weakened amid high interest rates. In the future, the Russian Federation is expected to have a more moderate GDP growth considering the impact of external factors and the current situation in the labor market, meanwhile, the economic activity will be supported by the expansion of public expenditures and an increase in exports.

<sup>1</sup> Preliminary data from the Statistical Office of the European Communities

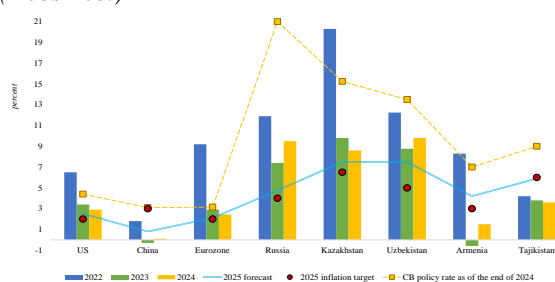
<sup>2</sup> Hereinafter, excluding the Republic of Belarus.

### Inflationary Environment in the External Conditions

In 2024, geopolitical factors and high uncertainty in the external environment had a significant impact on the global price environment, meanwhile, price movement remained multidirectional. There was an inflation slowdown in some world-leading economies, meanwhile, the inflation rates in the United States (at 2.9 percent) and the eurozone (at 2.4 percent) were still above set targets. However, in the trading partner countries of the Kyrgyz Republic, inflationary processes were particularly noticeable in the Russian Federation, Uzbekistan, and the Republic of Kazakhstan, while the inflation rates in China, Armenia, and Tajikistan were below the targets set by the monetary authorities.

**Chart 1.1.2. Inflation and Central Banks' Key Rates in the Leading Economies and Trading Partner Countries of the Kyrgyz Republic**

(Dec./Dec.)



Source: statistical committees, central banks; international organizations

Forecasts: central banks and international organizations

In the **USA**, the inflation rate remained high amid improvement in the labor market, a relatively low unemployment rate, and a rise in consumer expenditures. In the **eurozone**, growth in prices of energy carriers had an upward pressure on inflation. Volatility in the world food markets put pro-inflationary pressure on the domestic market of **Kazakhstan**, meanwhile, in the reporting period, the inflation rate slowed down to 8.6 percent. In the reporting year, risks of deflation remained due to weak consumer demand and the crisis in the real estate market of **China**. At the end of the reporting year, the inflation rate was formed at 0.1 percent.

In **the Russian Federation** and **Uzbekistan**, monetary conditions remained relatively tight in the reporting year due to the acceleration of the inflation rate up to 9.5 and 9.8 percent, respectively. In Uzbekistan, pressure came from the rise in prices for food products and an increase in gas and electricity tariffs, meanwhile, in Russia, the depreciation of the Russian ruble, sanctions, and strong domestic demand were factors of influence.

In **Armenia** and **Tajikistan**, the inflation rate slowed down to 1.5 and 3.6 percent respectively, due to a decrease in prices of imported goods and the strengthening of the national currencies. Given that their inflation rates were below the target, during 2024, the central banks conducted a policy of monetary easing. In 2025, the dynamics of import prices, exchange rates of the national currencies, and macroeconomic policy of the states will be the determining factors according to international analysts.

### 1.2. World Commodity Markets

In the reporting period, in the world food market price volatility have remained while maintaining upward dynamics.  
Oil prices declined amid weakening geopolitical tensions in the Middle East, meanwhile the price for gold continued to update the historical maximums due to sustainable demand from the central banks.

#### Food Market

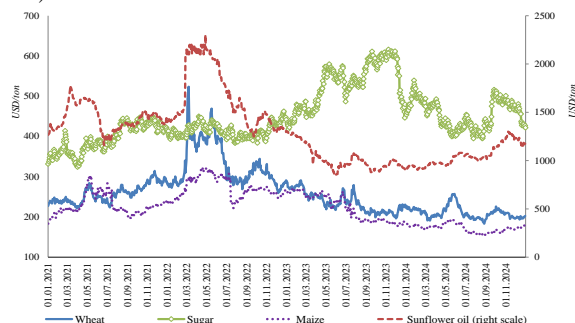
**In Q4 2024, prices for the main food products maintained multidirectional dynamics.**

During the reporting period, prices for vegetable oils reached the highest values for the last two years. This increase was conditioned by growth in quotations for all types included in the vegetable oil price index due to increase of global demand and decrease of production output

compared to expectations. By the end of the reporting quarter, high supply and reduced global demand contributed to slight slowdown in growth of prices for vegetable oils.

**Chart 1.2.1. Dynamics of Prices for Food Products**

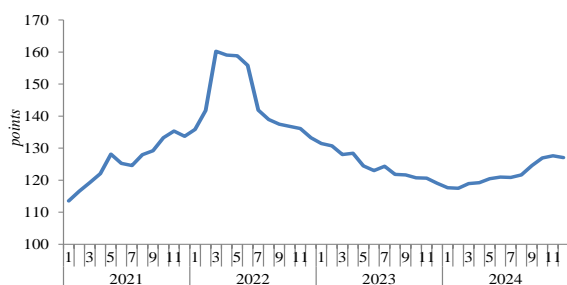
*(month to the corresponding month of the previous year)*



reduction of demand.

At the beginning of Q4 2024, world prices index for sugar increased due to current concerns about the production outlook for the 2024-2025 season. However, since the middle of quarter, prices started to decline due to growth of production output and improved crop prospects in Brazil, as well as full utilization of refining capacities in India and Thailand.

**Chart 1.2.2. Dynamics of FAO Food Price Index**

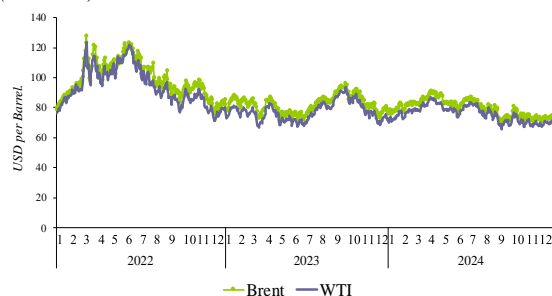


slowed down for all components included in the index, except prices for meat.

**Energy Market**

**Chart 1.2.3. Dynamics of Oil Prices**

*(in USD)*



At the beginning of the reporting period, prices for crops increased due to rise in prices for almost all components. In November, prices for crops declined and remained unchanged until the end of the quarter. Prices for wheat decreased amid poor global demand and increase in the supplies from major exporting countries. However, unfavorable forecast for winter crops in the Russian Federation had a supporting effect on prices. World prices for barley and maize rose as a result of increased export sales, while prices for sorghum and rice declined amid

In Q4 2024, FAO Food Price Index<sup>1</sup> showed acceleration of growth rates. In the reporting period, the average value of the FAO Food Price Index increased by 3.9 percent compared to the previous quarter and constituted 127.2 points. The index increased by 5.9 percent compared to the same quarter of 2023. An increase in the FAO Food Price Index was mainly conditioned by growth in prices for vegetable oils, dairy products and meat. However, at the end of the reporting period, the rates of price growth

**In Q4 2024, oil prices continued their downward trend amid easing geopolitical tensions in the Middle East.**

Thus, in Q4 2024, the average price for Brent of USD 74.0 per barrel decreased by 6.0 percent compared to the previous quarter and by 13.0 percent compared to Q2 2024.

According to EIA<sup>2</sup>, in 2024, the global demand for oil increased by 0.9 million barrels per day compared to 2023 and totaled 102.8 million barrels per day. Growth in

consumption was primarily provided by Asian countries, with India to make the largest

<sup>1</sup> 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).

<sup>2</sup> EIA – U. S. Energy Information Administration. A division of the US Department of Energy that collects, analyzes and disseminates energy and energy-related information.

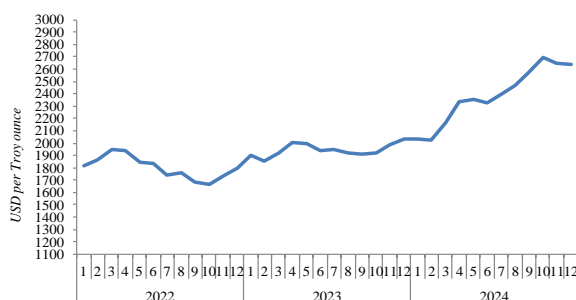
contribution to an increase (consumption increased by 220 thousand barrels per day, total consumption grew by 5.5 million barrels per day). At the same time, in 2024, the USA (20.3 million barrels per day) and China (16.3 million barrels per day) remain the largest oil consumers. Consumption growth on the part of China was minimally positive – about 80 thousand barrels per day, which was conditioned by a decrease in real GDP growth rates and an increase in sales of electric cars.

According to EIA data, in 2024, oil supply, despite OPEC+ production restrictions, increased by 0.6 million barrels per day compared to 2023 and totaled about 102.8 million barrels per day. An increase was provided by non-OPEC+ countries: the USA, Canada, Guyana and others.

The analysts’ forecast for 2025 assumes that oil supply in the world market will grow faster compared to demand for it, which, in turn, will put downward pressure on prices. At the same time, it is noted that further preservation of OPEC+ restrictions, the consequences of sanctions restrictions imposed on Russian and Iranian oil exports, and geopolitical situation in the Middle East remain as factors of uncertainty.

### Gold Market

**Chart 1.2.4. Dynamics of Gold Prices**



Source: IA Bloomberg

**In Q4, the global demand for gold reached the maximum level to result in renewal of the gold price up to the highest ever values.**

In the reporting quarter, the average price for gold rose by 34.6 percent in annual terms to reach the highest ever value of USD 2,787.6 per Troy ounce. This growth was driven by increased demand from the central banks (54.0 percent) trying to diversify foreign exchange reserves amid

geopolitical conditions. At the same time, the investors (+32.0 percent) and the technology sector (+2.0 percent) due to active implementation of artificial intelligence showed steady demand for this asset.

In 2024, net gold purchases made by the central banks remained at a high level, exceeding 1,000 tons for the third consecutive year. In contrast, the jewelry sector demonstrated a decline in consumption (-11.0 percent) due to high gold prices.

In the global economy, due to sustainable geopolitical and economic uncertainty, as well as high volatility in the financial markets, gold remains an attractive asset for investment, which is reflected in growth of the world prices for gold. Bloomberg IA analysts forecast the price for gold to increase up to USD 3,000.0 per Troy ounce in the world market in 2025. At the same time, the central banks are expected to continue accumulating gold reserves in 2025, however the rates of increase in volumes will decrease compared to 2024.

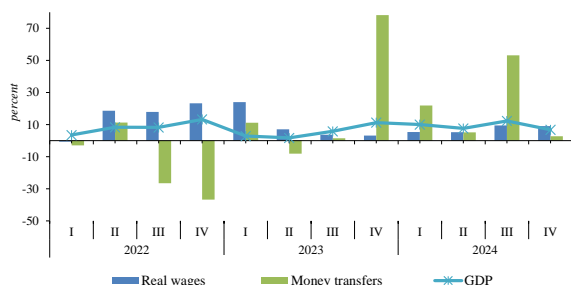


## Chapter 2. Macroeconomic Development

### 2.1. Demand and Supply in the Commodities and Services Market

#### Demand

**Chart 2.1.1. Dynamics of Internal Demand**  
(quarter to the corresponding quarter of the previous year)

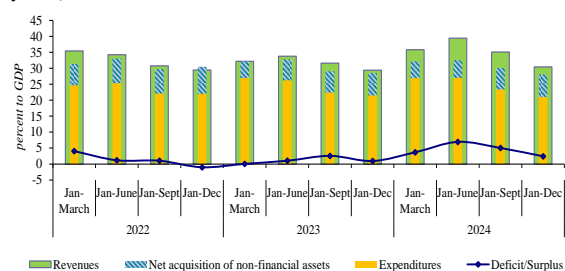


Source: NSC KR, calculations: NBKR

1.8 percent at the end of 2024 also contributed to the improvement of the situation in the labor market and an increase in economic activity.

#### Public Finances Sector

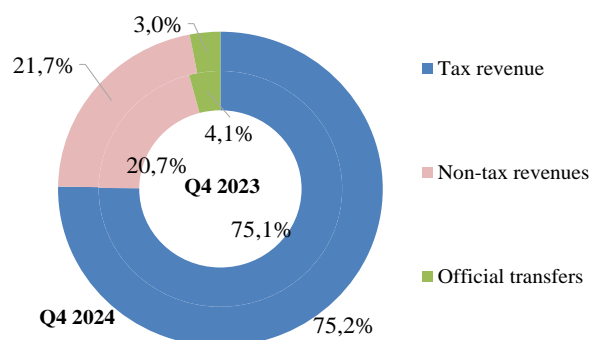
**Chart 2.1.2. Execution of the State Budget**  
(period to the corresponding period of the previous year)



Source: CT MFKR

transfer of the National Bank’s profit to the republican budget in the amount of KGS 12.4 billion based on the results of activities for 2023.

**Chart 2.1.3. Structure of the State Budget Revenues**



Source: CT MFKR

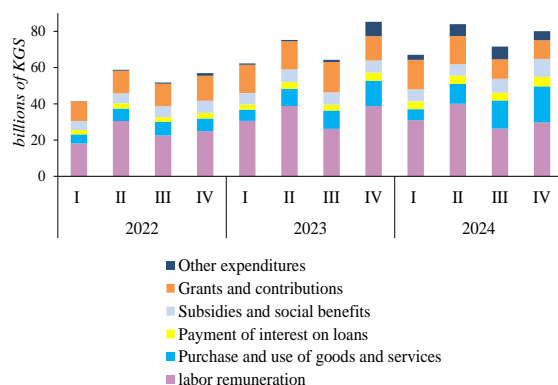
During the reporting period, the Kyrgyz Republic has maintained high rates of economic growth. There was an expansion of domestic demand supported by an increase in consumer lending and a rise in the real incomes of the population. At the same time, positive dynamics of cross-border individuals’ remittances to the country (+18.6 percent) stimulated domestic demand. A decrease in the level of registered unemployment rate in the total labor force from 2.5 at the end of 2023 down to

**At the end of 2024, the state budget of the country was formed with a surplus of KGS 36.9 billion or 2.4 percent to GDP.**

Economic activity and measures taken to improve tax and customs procedures were the main factors in the growth of tax and non-tax revenues in 2024. Thus, the current revenues of the state budget increased by 18.3 percent compared to the previous year and amounted to KGS 463.8 billion or 30.4 percent to GDP. Moreover, non-tax budget revenues increased by 24.0 percent or KGS 19.5 billion in nominal terms due to the

In the reporting period, current budget expenditures increased by 11.4 percent and amounted to KGS 319.9 billion or 21.0 percent to GDP. A significant share of budget expenditures was still directed toward labor remuneration of public sector employees, which constituted 39.8 percent of total current expenditures.

**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-December			
	2023	2024	2023	2024
	millions of KGS		share, percent	
<b>Total</b>	185 054,0	250 595,3	100,0	100,0
<b>Internal investment</b>	152 980,4	211 834,4	82,7	84,5
Republican budget	22 238,6	53 745,7	12,0	21,4
Local budget	5 472,3	9 509,1	3,0	3,8
Funds of enterprises and organizations	62 403,5	65 004,3	33,7	25,9
Banks' credits	5 783,1	16 271,4	3,1	6,5
Population funds including beneficent help of KR residents	57 082,9	67 303,9	30,9	26,9
<b>External investment</b>	32 073,6	38 760,9	17,3	15,5
Foreign credit	20 141,5	18 987,9	10,9	7,6
Direct foreign investments	1 696,7	9 489,5	0,9	3,8
Foreign grants and humanitarian aid	10 235,4	10 283,5	5,5	4,1

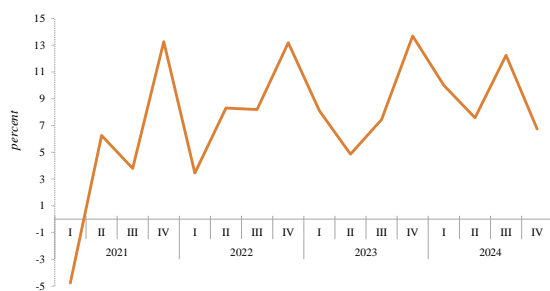
Source: NSC KR

budget, banks' credits, and population funds showed the greatest growth in the structure of investments.

The highest level of capital investments was observed in the construction of facilities, in the sectors of "mining", "transportation, and cargo storage" and "provision of electricity, gas, steam, and conditioned air".

**Supply**

**Chart 2.1.6. GDP Dynamics**  
(quarter to the corresponding quarter of the previous year)



Source: NSC KR, calculations: NBKR

In the functional classification of expenditures, funds were mainly directed to the items "general public services" (31.0 percent of total expenditures), "education" (23.1 percent), "defense, public order and security" (13.9 percent), etc.

Net capital expenditures provided for in the budget increased by 16.2 percent compared to 2023, to make KGS 107.1 billion or 7.0 percent to GDP.

In the medium term, it is expected that the budget surplus forecasted for 2025-2027 will be used to cover the public debt obligations, as well as expenditures related to economic activities.

In 2024, the strengthening of the private entrepreneurial initiative, as well as the growth of the state projects and measures contributed to the growth of capital investments by 24.8 percent.

As a result, the construction sector of the country experienced high growth rates in production volumes (+18.0 percent). Investments at the expense of domestic sources increased by 27.6 percent, at the expense of foreign sources – by 11.5 percent.

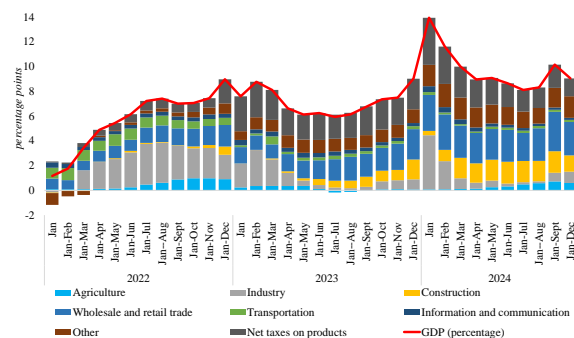
At the same time, the republican

In 2024, the country's real GDP grew by 9.0 percent, the same as in the previous year. The sectors of services and construction demonstrated high economic activity.

Taking into account the structure of the country's economy, where the services sector has a significant share in the GDP structure (in 2024, 52.1 percent), the contribution of this sector to GDP growth amounted to 4.8 p.p.

### Chart 2.1.7. Input of Main Sectors in GDP Growth

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

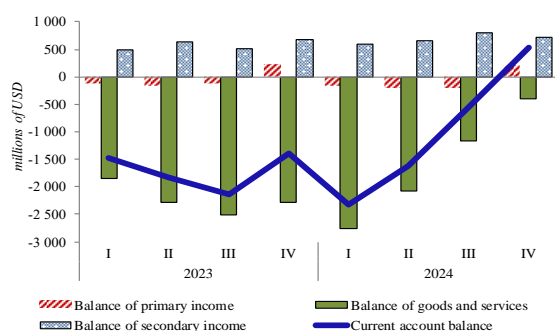


Source: NSC KR, calculations: NBKR

2023 mainly due to the manufacturing industry with a share of approximately 77 percent in the total volume of industrial production. This sector was also supported by an implementation of the project “100 Industrial Enterprises – 2024”.

## 2.2. External Sector <sup>1</sup>

### Chart 2.2.1. Current Account



Note: According to the preliminary and forecasted data.

71.9 percent, down to USD (-) 583.9 million due to accelerated growth of exports accompanied by a decline in imports to the Kyrgyz Republic.

Export of goods (in FOB prices) increased by 74.1 percent and amounted to USD 2,153.0 million. Generally, growth in the supplies of gold (non-monetary), ores and concentrates of precious metals, vegetables, clothes and motor gasoline influenced the volumes of exports in the reporting period. Exports excluding gold diminished by 12.5 percent and totaled USD 500.8 million.

At the same time, import of goods (in FOB prices) decreased by 17.5 percent and amounted to USD 2,736.9 million. During the reporting period, the negative dynamics of imports was largely conditioned by a noticeable drop in the supplies of motor cars. At the same time, there was a boost in import of energy products by 29.3 percent (USD 386.5 million against USD 299.0 million in Q4 2023) owing to growth in volume and value.

**In the structure of the secondary income balance, there is a surplus in the balance of the general government sector accompanied by stable growth in the inflow on the item “workers’ remittances”.**

In the agricultural sector, production output growth rates accelerated from 0.6 percent in 2023 to 6.3 percent in 2024. Favorable climate and environmental conditions, increase in sowing area and crop yields, as well as the growth of livestock production, contributed to high indicators. Such positive trends had a restraining effect on inflationary processes in the country. The contribution of agriculture to GDP growth amounted to 0.6 p.p., with a share of 8.6 percent in the GDP structure.

In the reporting period, production output in the industrial sector increased by 5.6 percent against 4.8 percent in

**In Q4 2024, rapid contraction of the goods and services account deficit, as well as the stable and moderate positive dynamics of inflows on the balance of secondary income had a noticeable impact on the decline in the current account balance deficit.**

According to the preliminary data and estimates of the National Bank, in Q4 2024, the current account surplus amounted to USD 525.1 million or 22.8 percent to GDP<sup>2</sup>.

In the reporting period, the trade balance deficit decreased significantly by

<sup>1</sup> 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.

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

In Q4 2024, an increase in the inflow of individuals' cross-border remittances primarily affected the positive dynamics of net inflow on the item "workers' remittances" (a growth by 4.7 percent). Revenues to the general government sector were fully shaped by the inflow of cash grants from the development partners.

At the same time, the balance of services is expected to be in the positive zone and amount to USD 184.1 million, whereas the balance of the item "primary income", according to the National Bank's estimates, will be formed at (+)USD 209.0 million (a decrease by 5.5 percent). Inflow on the capital account is anticipated at USD 51.0 million, a decrease by 29.1 percent compared to Q4 2023.

**According to preliminary forecast estimates of the National Bank, in Q4 2024, net borrowing from the rest of the world, presented in the financial account will amount to USD 436.6 million.**

By the National Bank's expectations, the financial account will be formed as a result of growth in other investments in the form of an increase in the private sector liabilities to non-residents.

Thus, at the end of Q4 2024, the balance of payments of the Kyrgyz Republic will develop with a negative sign to make USD (-) 139.4 million.

## Chapter 3. Monetary Policy

### Key Trends

- The National Bank's monetary policy was aimed on keeping the inflation rate within the medium-term target of 5-7 percent.
- During the reporting quarter, due to the persistence of pro-inflationary risks in the economy of the Kyrgyz Republic, monetary conditions were maintained: the policy rate was kept unchanged at 9.00 percent. It corresponded to the macroeconomic conditions of the country and reflected the policy of the National Bank with regard to the existing external risks.
- Short-term money market rates were formed under the influence of the excess liquidity growth in the banking sector, demonstrating slight decline, being near the lower rate of the interest rate corridor set by the National Bank.
- In order to ensure the equilibrium level of money supply in the economy, the National Bank actively regulated excess liquidity in the banking sector by means of monetary instruments to limit its impact on inflation.
- Monetary indicators (monetary base and aggregates) continued to demonstrate growth.
- The domestic foreign exchange market remained balanced due to market mechanisms to form demand and supply for foreign currency, which ensured the exchange rate flexibility. By the end of the quarter, there was a strengthening of the KGS against the USD.
- In 2024, the purchasing power of the national currency, as before, was ensured by balanced monetary policy that contributed to keeping the inflation rate within the medium-term target of 5-7 percent.

### 3.1. Monetary Policy Implementation

#### Monetary Conditions

In Q4 2024, the monetary policy of the Kyrgyz Republic was conducted under the conditions of persistent high uncertainty in the external environment. The external environment was characterized by price volatility in the world commodity and financial markets, as well as geopolitical tension.

The economy of the country maintained moderate inflation dynamics within the medium-term monetary policy target of 5-7 percent. The expansion of consumer demand was supported by the growth of population's real incomes, active lending to the sectors of the economy by the commercial banks, and positive net inflow of remittances into the country.

During the reporting period, the issue of the policy rate was discussed twice at the meeting of the National Bank's Board – on October 28 and November 25. Following the results of these meetings, taking into account all existing pro-inflationary risks and assessment of their potential degree of their impact on the country's economy, it was decided to keep the key rate unchanged – at 9.00 percent. The boundaries of the interest rate corridor around the policy rate also remained at the level of the previous values: the interest rate on “overnight” deposits (lower rate) – 4.00 percent, the interest rate on “overnight” credits (upper rate) – 11.00 percent.

Tactical steps of the monetary policy were implemented amid increased level of excess liquidity in the banking sector and taking into account the situation in the interbank money and foreign exchange markets. The banking sector still demonstrated sufficient level of liquidity ensuring stable lending to the economy.

The achieved results of the monetary policy in 2024 not only ensured price stability but also contributed to creating favorable conditions for further economic growth.

#### Liquidity Regulation in the Banking Sector

In Q4 2024, the average daily volume of excess liquidity in the banking system decreased by 8.0 percent compared to Q3 2024 and amounted to KGS 83.9 billion. Excess

reserves of the banking system was concentrated, as before, with the key participants of the money market.

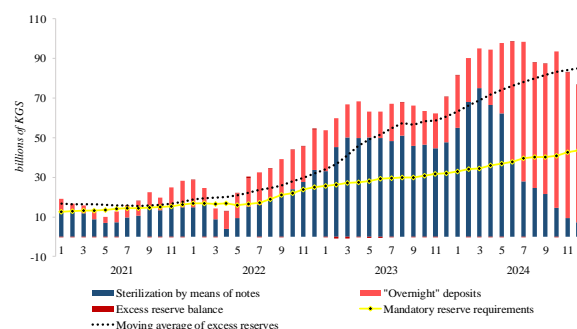
In order to limit the inflation factor, the National Bank actively regulated the volume of money supply in the economy by means of monetary instruments (issuance of notes and acceptance of the commercial banks' available funds for "overnight" deposits in the National Bank). During the quarter, the average daily volume of sterilization operations conducted by the National Bank decreased by 7.5 percent and amounted to KGS 84.4 billion.

The commercial banks continued to give preference to placement of their temporarily available funds on "overnight" deposits. Thus, in the reporting period, the banking sector showed an increase in "overnight" deposits by 14.8 p.p. which was formed with the share of 87.6 percent in the total volume of sterilization operations. However, the average daily volume of these funds amounted to KGS 73.9 billion.

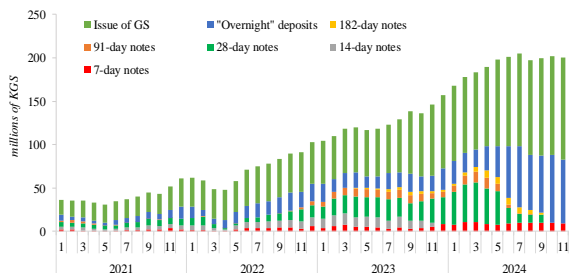
The share of the National Bank's notes in the structure of sterilization operations, decreased, however their specific weight constituted 12.4 percent with the average daily volume of KGS 10.5 billion.

Due to the absence of the need to cover short-term liquidity gaps during the reporting quarter, there was no demand on the part of the commercial banks to attract the National Bank's credit resources within the framework of the monetary instrument – the "overnight" credit.

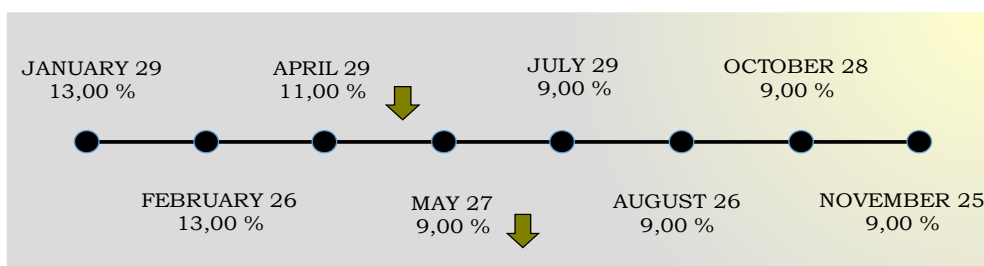
**Chart 3.1.1. Excess Reserves of the Commercial Banks**



**Chart 3.1.2. Structure of Sterilization Taking into Account Government Securities**



**Decisions Made on the Size of the Key Rate during 2024**



In 2024, the monetary policy conditions contributed to keeping the inflation rate within the medium-term inflation target of 5-7 percent and minimizing the impact of external factors on price movement in the country. In December 2024, the annual inflation rate in the Kyrgyz Republic was formed at 6.3 percent (at the beginning of 2024, 7.3 percent).

**3.2. Financial Market Instruments**

**Dynamics of Short-Term Money Market Interest Rates**

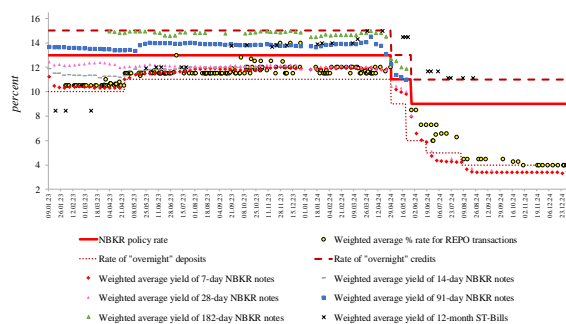
In Q4 2024, short-term interest rates in the interbank money market were formed under the influence of liquidity surplus in the banking sector and were close to the lower boundary of the interest rate corridor set by the National Bank.

Due to excessive demand for the National Bank’s notes on the part of the market participants amid high level of excess liquidity in the banking system, the rates on this financial instrument demonstrated stable decrease. In the reporting period, this segment of the open market was represented by 7-day notes of the National Bank (in the previous period, 7- and 28-day notes were offered in the market). As a result of auctions, the weighted average yield of 7-day notes decreased slightly by 0.01 p.p. compared to Q3 2024, down to 3.43 percent.

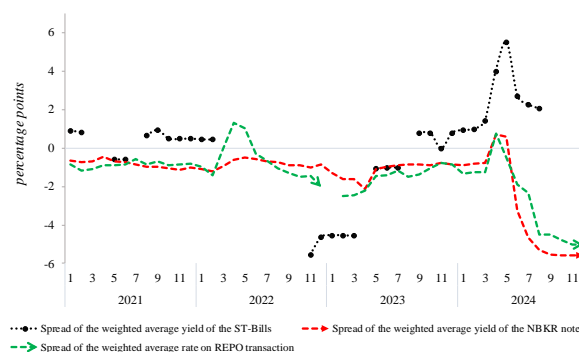
In 2024, the interbank credit market was generally characterized by a significant decrease in activity compared to the previous years (a decrease in the volume by 56.5 percent compared to 2023). In the reporting period, there was an increase in the number of conducted REPO transactions and the total volume of completed transactions. The total amount of conducted 40 transactions increased by 81.2 percent compared to Q3 2024, to make KGS 2.2 billion. The weighted average rate decreased by 0.22 p.p. since October 2024 and in November-December, it was formed at 4.00 percent. Finally, during the quarter, the average REPO rate fell by 1.14 p.p. compared to the previous period, meanwhile the spread between the policy rate and the REPO rate narrowed to (-)4.93 p.p.

In the reporting period, no transactions were conducted with 12-month government securities on the platform of CJSC “KSE” in contrast to the previous three quarters of 2024.

**Chart 3.2.1. Interest Rates of the Money Market**



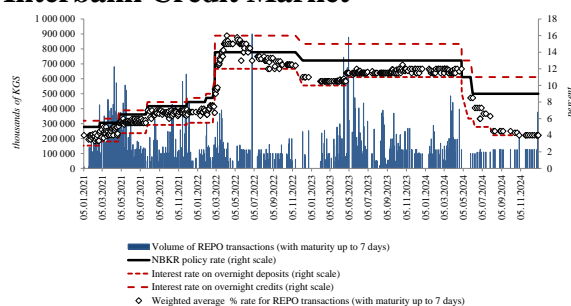
**Chart 3.2.2. Spread between the Short-Term Rates of the Money Market and the Key Rate of the National Bank**



**Interbank Credit Market**

In Q4 2024, the interbank credit market demonstrated higher activity of the market participants in the segment of REPO transactions compared to the previous period.

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



In Q4 2024, the activity of the interbank credit market participants increased compared to the previous quarter. In the reporting period, the number and volume of transactions were concentrated in December. In Q4, the volume of transactions amounted to KGS 2.2 billion (+81.2 percent compared to Q3 2024). However, the volume of transactions decreased by 56.6 percent compared to Q4 2023 (in Q4 2023, KGS 5.0 billion).

In the reporting period, the weighted average rate in the interbank credit market decreased by 1.1 p.p. compared to July-September 2024 and constituted 4.1 percent. During the reporting period, the weighted average maturity of

credits decreased to 6 days (-1 day) compared to the previous quarter. The transactions were conducted on a pledge of ST-Bonds and T-Bonds.

### Market of the National Bank’s Notes

**The banks’ excess liquidity still determines the dynamics of the notes market, available funds were placed on short-term notes of the National Bank.**

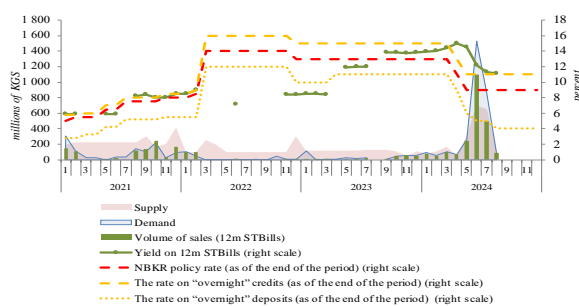
In Q4 2024, the volume of sales of the National Bank’s notes decreased to KGS 131.1 billion (-18.1 percent) compared to the previous quarter. The demand and supply indicators also decreased by 20.1 and 12.5 percent, respectively, compared to Q3 2024. In the reporting period, the National Bank placed 7-day notes at the auctions, meanwhile, 28-day notes were not offered. In Q4 2024, the downward dynamics of notes' yields remained. The interest rates on 7-day notes decreased to 3.4 percent (-0.4 p.p.).

### Government Securities Market

**In Q4 2024, the government securities (GS) market was represented by the securities of all maturities, excluding 15- and 20-year securities. Longer-term ST-Bonds with 3-, 7-, 10-, and 5-year maturities were in the greatest demand among the market participants. A short-term segment of GS, as well as in previous periods, was represented by 12-month ST-Bills.**

#### ST-Bills

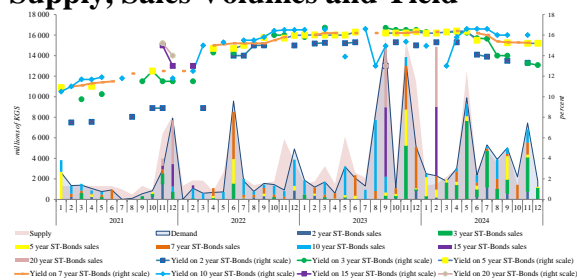
**Chart 3.2.4. ST-Bills Market Indicators**



In Q4 2024, the Ministry of Finance of the Kyrgyz Republic did not place ST-Bills on the trading platforms of the National Bank and CJSC “KSE”. Under the conditions of increasing issue of long-term GS, the supply of ST-Bills also depended on the trends of the GS market, yield indicators of the GS, and the structure of demand for GS, which formed the dynamics of the ST-Bills market in Q4 2024.

#### ST-Bonds

**Chart 3.2.5. Dynamics of ST-Bonds Supply, Sales Volumes and Yield**



**In Q4, the ST-Bonds market was represented by the securities of 3-, 5-, 7- and 10-year maturities. The weighted average yield of ST-Bonds decreased compared to the previous quarter.**

same period of 2023, to make KGS 8.7 billion.

In Q4 2024, the volume of ST-Bonds sales, including additional placements on the National Bank’s platform, decreased by 29.1 percent compared to the previous quarter and by 54.5 percent compared to the

In Q4, the total weighted average yield of ST-Bonds decreased compared to the previous quarter and averaged 14.5 percent (-0.9 p.p. compared to Q3 2024 and -1.8 p.p. compared to Q4 2023). In the reporting period, the volume of ST-Bonds supply decreased by 20.8 percent and ST-Bonds demand fell by 16.2 percent compared to Q3 2024.

In terms of maturities, 3-year ST-Bonds demonstrated the largest volume of sales, the share thereof in the total volume amounted to 50.5 percent. 7-year ST-Bonds (29.5 percent) and 10-year ST-Bonds (15.0 percent) were also in demand, while 5-year ST-Bonds (4.9 percent) were less in demand.

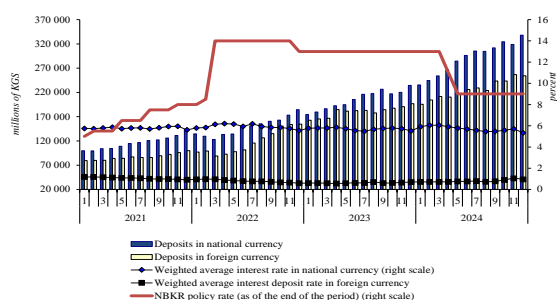


At the end of Q4, the structure of ST-Bonds holders (excluding 2-year ST-Bonds placed on the KSE) changed insignificantly compared to Q3 2024. Institutional investors held 41.5 percent of all ST-Bonds in circulation (+0.2 p.p. compared to the end of the previous quarter). The share of commercial banks increased up to 31.3 percent (+1.1 p.p.). The share of resident legal entities decreased to 6.9 percent of the total volume (-1.5 p.p. compared to the end of Q3). Other participants together held 20.4 percent of all ST-Bonds in circulation.

In Q4 2024, 1 auction on placement of 2-year ST-Bonds for KGS 800.0 million with a weighted average yield of 13.3 percent was held on the platform of CJSC “KSE”. The volume of sales decreased by 55.7 percent and the yield decreased by 0.5 p.p. compared to the previous quarter.

### Deposit Market

**Chart 3.2.6. Dynamics of Commercial Banks’ Deposits**



**The commercial banks’ deposit base continued to grow in the national and foreign currencies.**

At the end of Q4, the banks’ deposit base amounted to KGS 592.4 billion, having increased by 6.7 percent during the quarter. The growth of the deposit base was due to an increase in deposits in national currency (+8.4 percent, up to KGS 338.0 billion) and in foreign currency (+4.4 percent, up to KGS 254.4 billion).

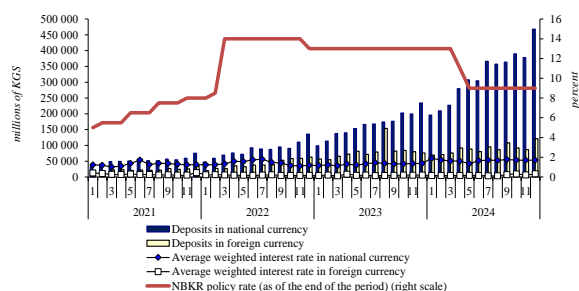
The growth of the deposit base in the national currency compared to the end of Q3 2024 was mainly due to an increase of deposits on current accounts by 16.1 percent (up to KGS 151.3 billion), as well as time deposits – by 4.5 percent (up to KGS 108.4 billion), meanwhile demand deposits grew by 0.6 percent (up to KGS 78.3 billion). Such dynamics changed the structure of the deposit base in the national currency. The share of current account deposits increased up to 44.8 percent (+3.0 p.p.), meanwhile, the share of time deposits decreased to 32.1 percent (-1.2 p.p.), the share of demand deposits also decreased to 23.2 percent (-1.8 p.p.).

The deposit base in the national currency by persons consists mainly of residents’ deposits (97.8 percent of the total volume), particularly of individuals (45.1 percent) and legal entities’ deposits (37.6 percent).

At the end of December 2024, dollarization of deposits amounted to 42.9 percent (-2.7 p.p. compared to the end of December 2023), while dollarization adjusted for the exchange rate decreased to 43.5 percent (-2.1 p.p.).

The deposit base in foreign currency by persons is mainly formed by resident legal entities’ deposits – 46.9 percent (mainly current accounts) and non-resident individuals’ deposits – 25.4 percent (mainly demand accounts).

**Chart 3.2.7. Dynamics of Commercial Banks’ Deposits Flows**



**The weighted average interest rates on time deposits in the national currency remained high demonstrating slight changes compared to the indicators of Q3 2024.**

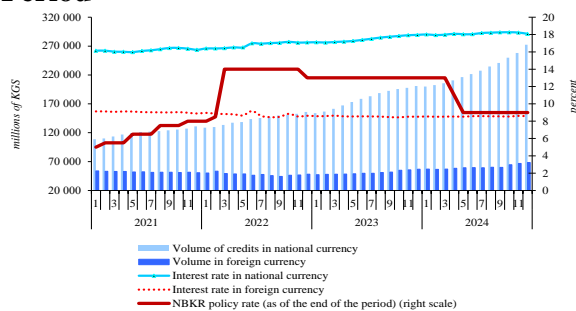
In December 2024, the interest rate on time deposits of the deposit base in the national currency decreased slightly compared to the beginning of the year (-0.4 p.p.) and constituted 12.1 percent (-0.4 p.p. compared to the end of Q3 2024).

In Q4, the interest rates on new time deposits in the national currency decreased by 0.5 p.p., down to 10.1 percent (-1.9 p.p. compared to the same period of 2023).

At the end of the reporting period, the concentration index<sup>1</sup> in the deposit market remained at the same level compared to the previous quarter, having changed insignificantly since the beginning of 2024, and amounted to 0.11. This index demonstrates the average level of concentration with nine participants with equal shares in the market.

### Credit Market

**Chart 3.2.8. Dynamics of Commercial Banks Credit Debt as of the End of the Period**



**In Q4 2024, active lending to the economy was sustainable.**

At the end of Q4, the banks' credit portfolio increased by 13.3 percent during the quarter and amounted to KGS 340.7 billion. Generally, the growth of credits in the national currency by 13.1 percent, up to KGS 272.4 billion, conditioned an increase in the credit portfolio.

In Q4, the growth of credits in the national currency was mainly conditioned by an increase in consumer credits (+22.4 percent), trade and commercial operations (+13.6 percent), and mortgage credits (+9.7 percent).

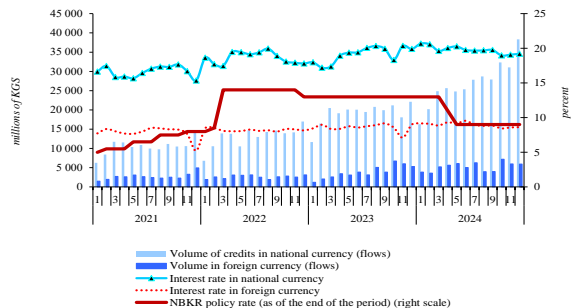
In Q4, the growth of credits in the national currency was mainly conditioned by an increase in consumer credits

(+22.4 percent), trade and commercial operations (+13.6 percent), and mortgage credits (+9.7 percent). In the structure of the credit portfolio in the national currency in the context of persons, the share of 65.4 percent was accounted for the credits of resident individuals (+1.6 p.p. compared to the end of September 2024), 34.5 percent – the credits of resident legal entities (-1.6 p.p. compared to the end of Q3 2024), meanwhile the share of non-residents amounted to 0.1 percent. Thus, in the reporting period, the credit portfolio in the national currency increased mainly due to higher growth rates of credits to resident individuals (an increase of 15.9 percent compared with the end of Q3 2024).

At the end of December 2024, dollarization of the credit portfolio amounted to 20.1 percent (-2.0 p.p. compared to December 2023), while dollarization adjusted for the exchange rate decreased to 19.8 percent (-2.2 p.p.).

The credit portfolio in foreign currency increased by 14.1 percent, up to KGS 68.4 billion compared to Q3 2024.

**Chart 3.2.9. Dynamics of Commercial Banks New Credits for the Period**



Trade and commercial operations (+17.9 percent) was the main sector of lending in foreign currency. At the same time, the sectors of mortgage (+18.0 percent), industry (+10.8 percent), and credits for other purposes (+14.5 percent) demonstrated positive dynamics.

The weighted average interest rate on new credits in the national currency amounted to 19.8 percent in January - December, having slightly increased

<sup>1</sup> 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. An index value less than 0.10 corresponds to a low level of concentration; from 0.10 to 0.18 – is the average level of concentration; over 0.18 – a 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.

compared to the same period of 2023 (+0.7 p.p.). The weighted average interest rate on new credits in foreign currency amounted to 8.9 percent, having slightly changed compared to January - December 2023 (+0.4 p.p.). While the weighted average interest rate on new credits in the national currency in Q4 2024 decreased by 0.6 p.p. compared with Q3 2024 and made 19.1 percent. In Q4 2024, the weighted average interest rate on new credits in foreign currency amounted to 8.5 percent (-0.3 p.p. compared to Q3 2024).

At the end of Q4, as in the previous quarter, the credit market general concentration index was stable at 0.09. This index corresponds to a low level of concentration and is equivalent to the division of the market among eleven banks. The sectoral concentration index was 0.29.

At the end of Q4 2024, the qualitative characteristics of the credit portfolio were as follows: the share of overdue credits in the credit portfolio was formed at 1.9 percent (-0.5 p.p. compared to the end of Q3 2024) year-to-date, the share of extended credits decreased to 2.1 percent (-0.6 p.p.).

### **3.3. Dynamics of Monetary Indicators**

In Q4 2024, the monetary base showed stable upward trend: the growth rate increased by 4.6 p.p. compared to the previous quarter, accelerating up to 7.1 percent. This acceleration was primarily conditioned by outstripping growth of the commercial banks' funds on the correspondent accounts of the National Bank (by 56.5 percent) over increase of money in circulation (by 2.1 percent).

At the end of the reporting period, as in Q3 2024, the transactions of the monetary sector in the amount of KGS 22.0 billion contributed to growth of reserve money by 3.7 percent. Simultaneously, there was weakening of the restraining effect of budget transactions (a decrease by 81.9 percent) on the expansion of money supply, primarily amid increase in expenditures. Tax revenues prevailed in the total structure of state budget revenues with a share of 57.9 percent, which is explained by the period of payment of various tax liabilities, including property tax (on non-residential buildings, premises and structures). The share of non-tax revenues amounted to 18.3 percent. In general, the transactions of the government sector made a negative contribution to growth of reserve money by KGS 2.7 billion.

There were insignificant changes in the structure of the monetary base compared to the previous period amid a decrease in the share of cash in circulation by 3.6 p.p., down to 81.9 percent, however, the share of reserves of other deposit corporations in the national currency increased by 5.7 p.p. and amounted to 18.1 percent.

At the end of 2024, the volume of monetary base increased by 7.1 percent compared to Q3 2024 (in annual terms growth by 17.5 percent) and constituted KGS 293.6 billion.

#### **Monetary Aggregates Growth Rates**

Growth rates of all monetary aggregates demonstrated acceleration compared to the previous quarter, except for money outside banks (M0) (however, in annual terms, all monetary aggregates showed deceleration). Negative dynamics of monetary aggregate M0 that formed compared to Q3 2024 was accompanied by growth of transferable deposits (money on current and demand accounts) by 14.6 p.p. and time deposits in the national currency by 5.6 p.p., which indicates redistribution of the share in cash to non-cash form.

Finally, at the end of the reporting period, transferable deposits increased by 18.9 percent compared to the previous quarter (in Q3 2024, 4.4 percent) and amounted to KGS 189.8 billion. Time deposits in the national currency grew by 10.7 percent and amounted to KGS 93.8 billion (5.2 percent in the previous period).

Deposits in foreign currency were characterized by decrease in growth rate by 11.9 p.p. At the end of the period, their volume constituted KGS 183.7 billion with slight increase by 2.3 percent (in the previous period, 14.2 percent).

Thus, the trends of monetary aggregates were as follows:

- *money outside banks (M0)* decreased by KGS 1.0 billion (-0.5 percent) compared to the previous period and amounted to KGS 205.9 billion (in annual terms, growth by 15.2 percent);

- *narrow money (M1)* grew by KGS 29.1 billion (+7.9 percent) and amounted to KGS 395.6 billion (in annual terms, growth by 30.9 percent);

- *broad money (M2)* increased by KGS 38.1 billion or by 8.5 percent and amounted to KGS 489.4 billion (in annual terms, growth by 31.0 percent);

- *broad money, including deposits in foreign currency (M2X)*, increased by KGS 42.4 billion, or by 6.7 percent, and amounted to KGS 673.1 billion at the end of the period (in annual terms, growth by 31.9 percent).

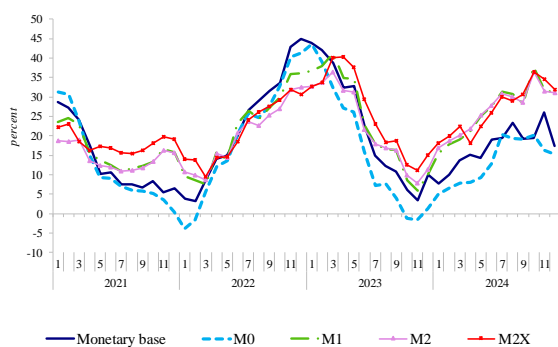
The total volume of deposit base in the monetary aggregate M2X increased by 40.9 percent in annual terms, up to KGS 467.2 billion.

Broad money supply was distributed as follows:

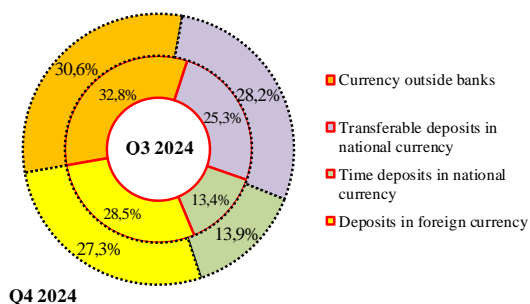
- *money outside banks* – 30.6 percent;
- *transferable deposits in the national currency* – 28.2 percent;
- *time deposits in the national currency* – 13.9 percent;
- *deposits in foreign currency* – 27.3 percent.

**Chart 3.3.1. Nominal Growth Rates of Monetary Aggregates**

(in annual terms)



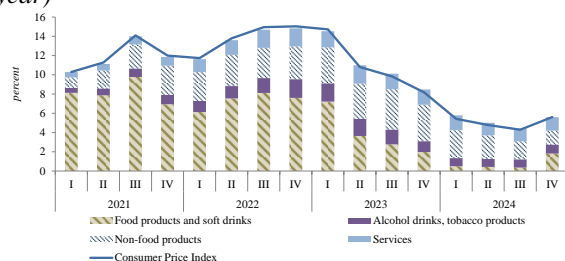
**Chart 3.3.2. Structure of M2X Broad Money Components**



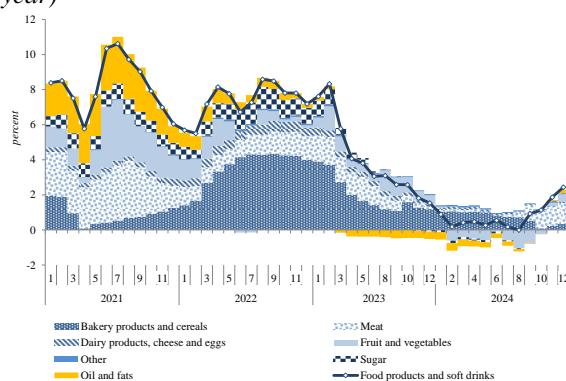
## Chapter 4. Inflation Dynamics

### 4.1. Consumer Price Index

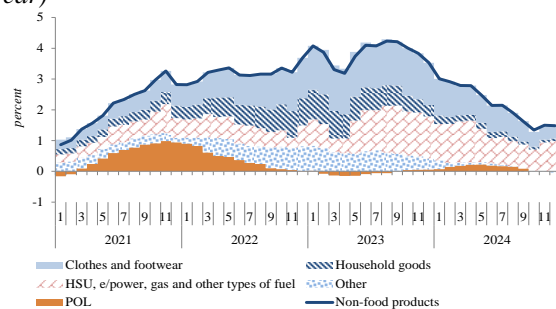
**Chart 4.1.1. Dynamics of CPI Structure**  
(quarter to the corresponding quarter of the previous year)



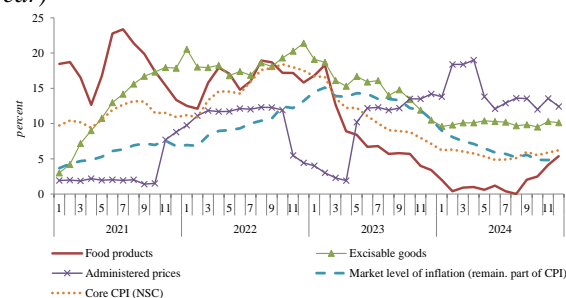
**Chart 4.1.2. Dynamics of Food Prices' Contribution to Annual CPI**  
(month to the corresponding month of the previous year)



**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 Q4 2024 (quarter-on-quarter), the annual inflation rate was 5.6 percent (in Q3, 4.3 percent).

In December 2024, the annual inflation rate in the Kyrgyz Republic was 6.3 percent (in November, 5.7 percent).

In December 2024, food inflation was formed at 5.4 percent in annual terms (the contribution to the annual CPI growth was 2.4 p.p.). In the reporting period, an increase in prices for meat and vegetables made the main contribution to the growth of the CPI in the food commodity group. There was an increase in prices primarily for vegetables, meat, soft drinks, fish, oils, and fats in this commodity group.

The non-food commodity group demonstrated multidirectional price movement during the quarter. At the beginning of the quarter, the slowdown in price growth was sustainable, however, in November, prices demonstrated growth due to the start of the heating season. The rates of price growth were stable until the end of the quarter.

In December 2024, the annual increase in prices for non-food products was 5.1 percent. In December 2024, the contribution of non-food products to annual CPI decreased by 2.0 p.p. compared to the corresponding month of the previous year and amounted to 1.5 p.p.

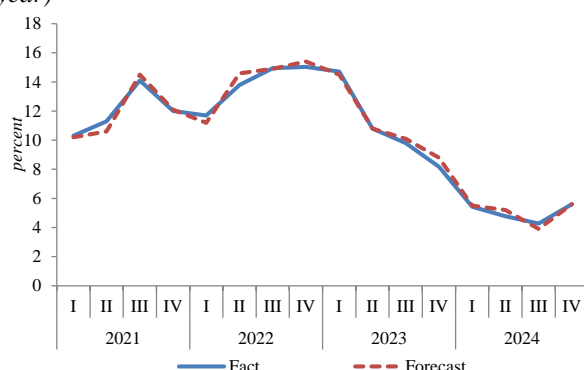
In the structure of non-food products, the rate of price growth accelerated for the groups “housing services, water, electricity, gas and other fuels” and “clothes and footwear”. There was a stable slowdown in the growth of prices for petroleum, oil, and lubricants.

In December 2024, an increase in prices for paid services was 8.1 percent in annual terms, contribution to the overall CPI was 1.4 p.p. Price growth for the services of restaurants and hotels, healthcare and transport remained. Prices of education and transport services made the main contribution to inflation in services.

## 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 Q4 2024, the actual inflation rate coincided with the forecasted value expected by the National Bank.

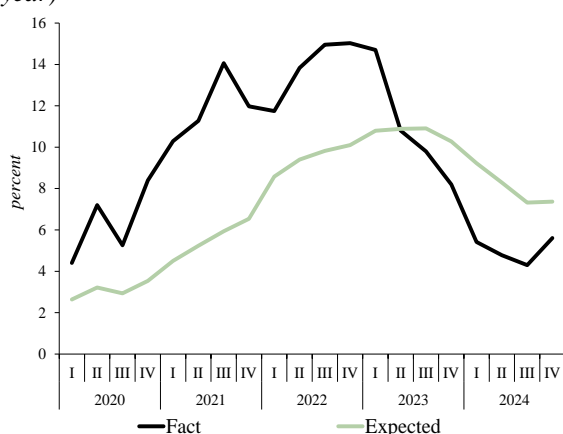
### Inflation Expectations

In Q4 2024, according to the surveys of the NSC KR, inflation expectations of the population remained at the level of the previous quarter, however they still remained at a relatively high level (Chart 4.2.2). In Q4, price expectations of the enterprises decreased and became equal to the actual inflation rate, as shown in Chart 4.2.3.

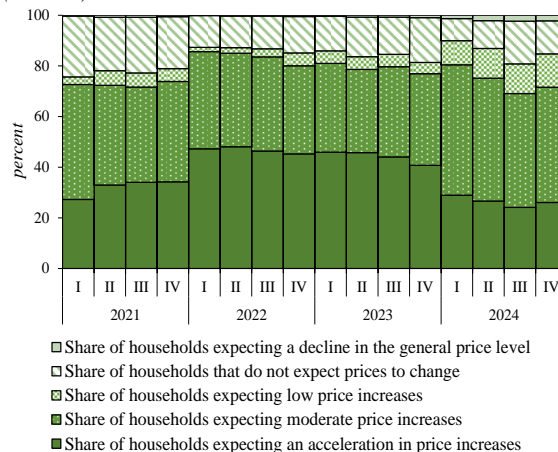
In Q4 2024, price expectations of the population still exceeded the actual inflation rate. The share of respondents expecting accelerated price growth, as well as the share of respondents expecting moderate increase in prices, increased compared to the previous quarter.

**Chart 4.2.2. Actual Inflation Value, Chart 4.2.3. Distribution of Households' Observed and Expected Inflation of Answers**

(quarter to the corresponding quarter of the previous year)



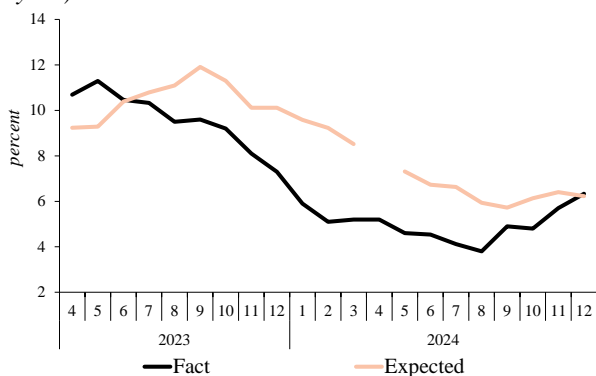
(shares)



The World Bank survey conducted among 1,500 households in the Kyrgyz Republic regarding inflation expectations (Chart 4.2.4 and Chart 4.2.5) revealed general decrease in household' price expectations with an increase in the actual inflation rate in December 2024.

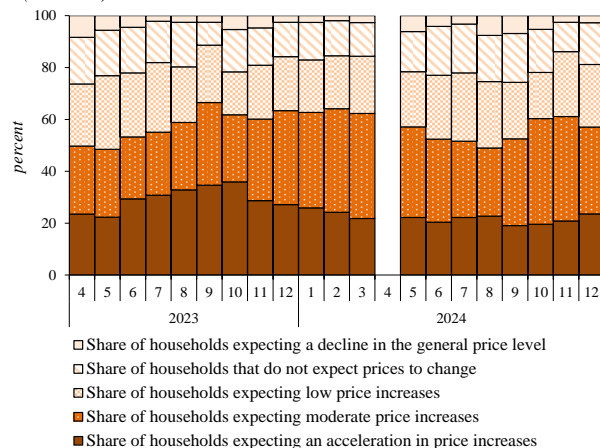
**Chart 4.2.4. Actual Inflation Value, Observed and Expected Inflation of Households (WB)**

*(month to the corresponding month of the previous year)*



**Chart 4.2.5. Distribution of Households' Answers (WB)**

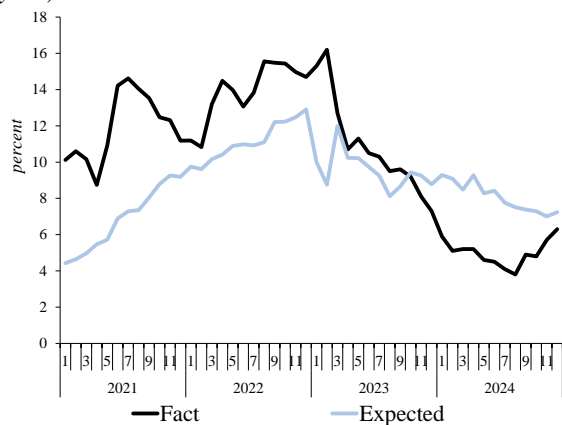
*(shares)*



In general, since the beginning of 2024, inflation expectations of the enterprises declined (Chart 4.2.6), which correlated with the dynamics of the actual inflation rates observed until September 2024, thereafter the actual inflation rate increased and approached the expected level. There was a slight increase in share of enterprises expecting acceleration in price growth (Chart 4.2.7).

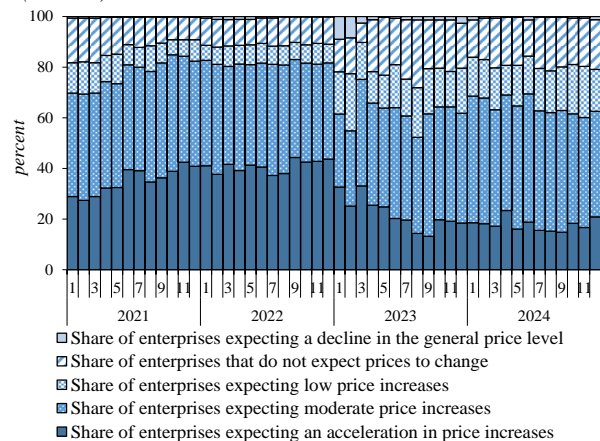
**Chart 4.2.6. Actual Inflation Value, Observed and Expected Inflation of Enterprises**

*(month to the corresponding month of the previous year)*



**Chart 4.2.7. Distribution of Enterprises' Answers**

*(shares)*



## Chapter 5. Medium-Term Forecast

### 5.1. 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 in the Kyrgyz Republic changed in Q4 2024 to result in slight increase in prices for goods and services. At the same time, the current monetary conditions have a restraining effect on the dynamics of inflation.

In the reporting quarter, the price environment in the world food markets (FAO index) demonstrated upward trend, however price movement in the commodity markets was characterized by high volatility. Stable protectionist policy is expected to be conducted in the global economy, which may cause changes in the international trade, increase in tariffs for imports and possible trade disputes with other countries. This could have a negative impact on the global supply chains.

In Q4 2024, business activity in the Kyrgyz Republic demonstrated strong performance. Growing consumer lending and an increase in net inflow of remittance into the country in annual terms contributed to growth in domestic demand.

**Baseline scenario** of the medium-term forecast takes into account the following external economic development conditions: moderate economic growth of the main trading partner countries and weakly positive price movement in the world commodity markets. Domestic factors of economic development assume that inflation expectations of the population and enterprises will remain moderate and consumer demand will expand.

The following forecast of the key macroeconomic indicators of the Kyrgyz Republic for 2025-2026 was developed considering the emerging trends in the economic development of the countries – trading partners of the Kyrgyz Republic, as well as expectations of price movement in the world commodity markets in the medium term.

**Conducted analysis shows that, in 2025, the real sector of the economy of Kyrgyzstan will demonstrate growth around the average levels of the last three years.**

**Chart 5.1.1. Forecast of Real GDP**

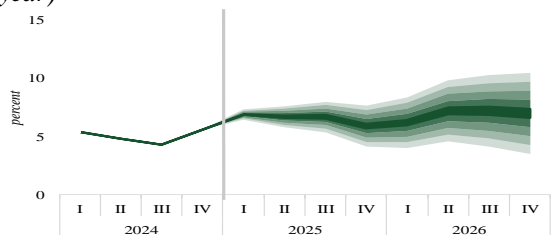
*(quarter to the corresponding quarter of the previous year)*



At the end of 2025, the real GDP growth will constitute approximately 8.2 percent. This growth is expected to be supported by the manufacturing industry, wholesale and retail trade, as well as the construction sector, demonstrating strong growth due to the measures taken by the Cabinet of Ministers of the Kyrgyz Republic and observed high activity of the business entities. In 2026, the real GDP growth rates are forecasted at 6.5 percent.



**Chart 5.1.2. Inflation Forecast**  
(quarter to the corresponding quarter of the previous year)



Given the current domestic market environment and changes of the economic situation in the countries – trading partners of the Kyrgyz Republic, by the end of 2025, the annual inflation rate is expected at 6.5 percent, remaining within the set medium-term target (5-7 percent). In 2025, the average annual inflation rate is forecasted at 6.9 percent.

Inflation will be mainly driven by the positive GDP gap, given that economic activity exceeds growth opportunities, creating inflationary pressure. Transfer of external inflationary movements to the domestic market will be an additional driver of inflation through rise in prices for imported goods and raw materials resulted from growth of prices in the trading partner countries.

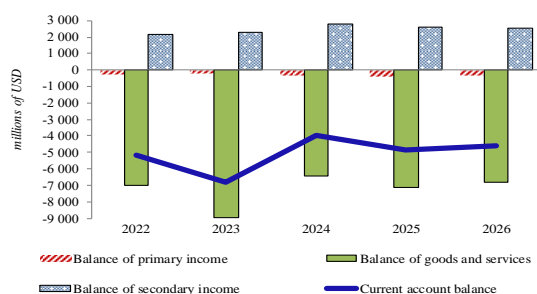
According to the Food and Agriculture Organization of the United Nations (FAO), the world food prices may remain high due to global factors such as supply instability and adverse weather conditions, which may increase pressure on domestic prices.

On the domestic factors side, as a result of the tariff policy conducted by the governments, prices for electricity are expected to increase in May 2025 to have an additional impact on inflation. Implementation of the public and private projects in various sectors of the economy may also contribute to growth of the aggregate effective demand. Moreover, the possible effect on prices from introduction of mandatory labeling of gasoline and gas oil, as well as from an increase in the cost of educational services, observed last year, should be taken into account. At the same time, inflation expectations of the population will remain moderate.

At the end of 2026, the annual inflation rate is expected to be within the medium-term target range of 5-7 percent. The following factors may be the main sources of inflationary pressure, namely accelerating inflation in the countries of the region, high demand, price fluctuations in the world food and petroleum products markets.

**2025-2026 Balance of Payments Forecast<sup>1</sup>**

**Chart 5.1.3. Forecast Data on Current Account**  
(millions of USD)



Forecast horizon for 2025 was predetermined by the data of the actual period and specified initial development conditions of the countries - trading partners of the Kyrgyz Republic. At the same time, as before, the external sector is still characterized by a high degree of uncertainty.

According to the baseline scenario, in 2025, the current account of the balance of payments will be within moderate deficit (at 20.8 percent to GDP). Deterioration in the negative balance of goods and services account and compression in the balance of the secondary income account will contribute to forecasted level of deficit.

As before, the terms of trade in the region, the world price environment for food and energy resources, as well as gold exports by the Kyrgyz Republic will be the fundamental factors forming expectations for exports and imports.

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

In consonance with the forecast trajectory for 2025, export of goods will be formed below the level of 2024 by 24.5 percent (high base of 2024 is provided by accelerated growth in export of non-monetary gold by 2.5 times in Q4 2024). Imports will remain rather high. Simultaneously, they are expected to go down (imports are forecasted to fall by 3.5 percent in comparison to 2024). Consumer, intermediate goods and energy products will have the largest share in the structure of imports.

**The forecast of the balance of secondary income was altered taking into account the data of the actual period and the analysis of economic conditions in the labor migrants recipient countries.** According to the updated forecast, the secondary income balance is expected to move from the positive to the negative zone at the expense of a decrease in inflows on the item “workers’ remittances” by 5.0 percent and a reduction in inflows to the general government sector by 58.5 percent in contrast to the previous year’s level.

At the same time, the services balance will develop positive being influenced by excess of export of services over import thereof, in particular due to the surplus of the item “travels” and “other services”.

**Expected current account deficit will require a significant amount of financing from the financial account. Direct and other foreign investments are expected to be the leading source of financial capital inflow.**

**Revised development forecast of the external sector of the economy in 2025 determined the following vector of expectations for 2026.**

In 2026, deficit of the current account balance will be formed at 19.4 percent to GDP under the influence of a combination of factors associated with a reduction of the trade balance deficit, improvement of the positive balance of services and the negative balance of primary income, as well as decline in the inflows on the secondary income balance.

According to the National Bank’s estimates, expected increase in exports by 4.9 percent and decline in imports by 0.5 percent will slightly affect the reduction of the trade balance deficit (by 3.2 percent compared to 2025). The volume of inflows on the item “workers’ remittances” of the secondary income balance is expected to go down by 2.7 percent compared to 2025.

At the same time, it should be noted that in 2026 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 significant share of capital inflows is expected to be provided through direct foreign investment and other investments to the private sector.

The following risks persist in the elaborated forecast of the balance of payments of the Kyrgyz Republic for 2025-2026:

- 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	Q2	Q3	Q4
<b>1. Demand and supply<sup>1</sup></b>																	
<i>(real growth rates, if otherwise is not indicated)</i>																	
Nominal GDP, per quarter	mln. 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	231 249,5	292 877,7	375 903,3	433 699,5	268 280,3	324 121,0	436 047,7	494 786,8
GDP	%	-4,8	6,3	3,8	13,3	3,4	8,3	8,2	13,2	8,1	4,9	7,4	13,7	10,0	7,6	12,2	6,7
Domestic consumption	%	-1,2	12,3	11,7	32,8	17,5	7,8	13,3	19,3	17,6	38,3	5,0	9,5	15,9	10,6	3,9	
Investment	%	20,6	108,9	6,7	15,2	-9,9	249,0	68,4	10,9	60,0	-22,5	31,2	45,4	8,9	37,0	-25,8	
Net export	%	30,9	159,4	46,6	91,7	39,3	384,7	84,2	28,5	130,6	95,8	71,0	59,2	15,6	-18,0	-58,8	
<i>GDP production:</i>																	
Agriculture	%	1,2	-5,2	-6,7	-2,0	1,5	3,9	8,0	10,8	5,9	-0,8	-1,2	3,5	2,1	6,9	7,7	4,8
Industry	%	-15,6	-5,8	0,6	43,9	8,2	22,8	20,2	1,8	10,9	-5,2	1,6	12,3	4,7	-1,6	9,2	8,6
Construction	%	-20,3	-13,2	-4,0	2,7	-1,4	5,2	-1,0	19,1	2,2	16,4	19,0	30,4	51,1	38,3	25,8	3,8
Services	%	-1,2	6,5	5,8	3,3	1,8	4,6	3,7	8,9	4,8	3,4	4,4	5,2	3,8	7,0	7,7	
including trade	%	-2,7	13,1	8,8	8,0	2,7	5,3	6,9	10,5	5,8	6,0	8,0	10,3	8,7	7,6	13,0	7,9
<b>2. Prices<sup>2</sup></b>																	
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	104,8	104,3	105,6
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	104,5	104,9	106,3
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	105,3	105,3	105,9
<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	101,0	100,8	104,0
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	109,5	109,8	111,0
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	108,5	106,5	105,0
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	107,7	107,8	108,2
<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	110,3	109,9	110,0
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	114,8	113,3	112,7
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	106,5	105,5	104,9
<b>3. External sector<sup>3</sup></b>																	
<i>(in percent to GDP)</i>																	
Trade balance	% to GDP	-18,3	-17,9	-21,7	-26,2	-34,4	-45,9	-56,5	-56,6	-56,9	-58,2	-55,1	-54,7	-58,5	-57,5	-47,9	-37,2
Current transaction account	% to GDP	3,5	4,5	-1,0	-8,0	-18,2	-32,1	-43,1	-42,1	-42,3	-44,6	-44,7	-45,0	-49,6	-47,3	-35,4	-17,7
Export of goods and services	% to GDP	28,8	36,3	36,7	35,6	34,7	28,2	26,6	29,7	31,1	32,4	34,5	36,4	37,1	39,4	44,0	49,2
Import of goods and services	% to GDP	49,9	56,9	60,7	64,1	71,5	76,1	84,8	87,2	88,5	92,4	92,6	95,4	100,9	100,5	93,7	85,9
<b>4. USD exchange rate, as of the end of period</b>																	
	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	86,4454	84,2000	87,0000
<b>5. Monetary sector</b>																	
<i>(real growth rates, if otherwise is not indicated)</i>																	
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	9,00	9,00	9,00
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	5,00	4,00	4,00
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	11,00	11,00	11,00
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	9,12	5,22	4,07
of which:																	
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	9,12	5,22	4,07
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	5,91	3,44	3,43
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	5,14	3,59	-
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	11,22	-	-
Weighted average yield of 182-day notes, as of the end of period	%	-	-	-	-	-	-	-	-	-	14,67	14,79	14,90	14,74	12,13	-	-
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	19,1	19,2	17,5
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	12,7	19,1	15,2
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	27,8	28,2	30,9
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	27,7	28,6	31,0
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	26,0	30,6	31,9

<sup>1</sup> Estimates of the National Bank of the Kyrgyz Republic on the basis of the data provided by the National Statistics Committee of the Kyrgyz Republic

<sup>2</sup> Source: National Statistics Committee of the Kyrgyz Republic

<sup>3</sup> Coefficients were calculated on the basis of the sliding annual data for the last 4 quarters. Data for Q4 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 “KSE”	Closed Joint Stock Company “Kyrgyz Stock Exchange”
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
IA	Information Agency
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
PRC	People’s Republic of China
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