



КЫРГЫЗ БАНКЫ



Monetary Policy REPORT

Q1 2025

Bishkek
May 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.

Contents

Chapter 1. External Environment	5
1.1. Economic Development of the EAEU Countries and the Main Trading Partner Countries.....	5
1.2. World Commodity Markets	7
Chapter 2. Macroeconomic Development	9
2.1. Demand and Supply in the Commodities and Services Market	9
2.2. External Sector	10
Chapter 3. Monetary Policy.....	12
3.1. Monetary Policy Implementation	12
3.2. Financial Market Instruments	14
3.3. Dynamics of Monetary Indicators	20
Chapter 4. Inflation Dynamics	22
4.1. Consumer Price Index	22
4.2. Comparison of Forecast and Facts.....	23
Chapter 5. Medium-Term Forecast	25
5.1. Medium-Term Forecast	25
Annex 1. Key Macroeconomic Indicators	28
Annex 2. Glossary	29
Annex 3. Abbreviations.....	31

Summary

During the reporting quarter, the world economic development was conditioned by the impact of changes in the trade policy of the world-leading countries and strengthening of geopolitical factors, which led to high volatility in price dynamics in world commodity markets and multidirectional growth dynamics in the economies of both developed and developing countries. The United States saw a slowdown in economic activity amid its new trade policy, the eurozone economy was also under the restrictive influence of complications in global trade, and the economies of Russia and Kazakhstan demonstrated moderate dynamics. Global food and energy markets, as well as international financial markets, remained highly volatile due to ongoing challenges. Global gold prices maintained a steady growth dynamic.

The economy of the Kyrgyz Republic retained high growth rates due to increased investment and consumer activity. At the end of Q1 2025, real GDP increased by 13.1 percent. The sectors of services, construction and industry made the most significant contribution to GDP growth. Growth in real incomes of the population and consumer lending, along with an increase of cross-border remittances, continued to act as drivers of domestic demand. At the end of Q1 2025, the state budget was executed with a surplus of 16.1 percent to GDP due to a significant excess of incomes over expenditures, as well as due to the transfer of the National Bank's profit to the republican budget.

In Q1 2025, the trade balance was formed under the influence of a insignificant reduction in exports (by 6.5 percent) amid a decrease in imports (by 16.2 percent) to the Kyrgyz Republic. As a result, the trade deficit was formed with a deficit in the amount of USD 2,117.1 million, having decreased by 18.2 percent compared to the base indicator of Q1 2024. The volume of foreign trade turnover decreased by 14.7 percent and amounted to USD 3,130.8 million.

The inflationary environment in the Kyrgyz Republic remained moderate due to the monetary policy conducted by the National Bank. In March 2025, the annual inflation rate was 6.9 percent. Inflationary processes in the Kyrgyz Republic continued to develop under the influence of external geopolitical and economic factors, as well as internal changes. From the side of internal factors, an increase in domestic demand and changes in the tariff policy of the state continued to have a noticeable impact.

During the reporting period, monetary policy conditions contributed to sustainable price movement within the medium-term inflation target. The short-term rates of the interbank money market were still formed near the lower rate of the interest rate corridor. In order to limit the monetary factor of inflation, the National Bank conducted transactions to regulate the volume of excess liquidity in the banking system. The banking system of the country continued active lending to the main sectors of the economy and building up its resource base.

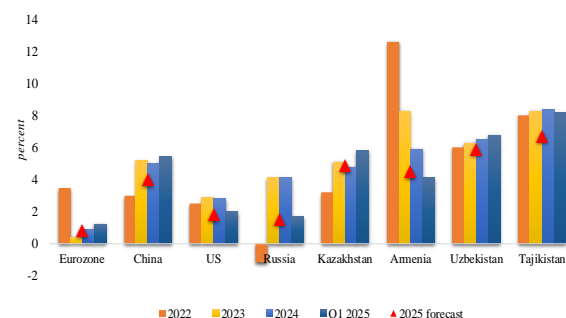
The situation in the domestic foreign exchange market remained stable. The exchange rate remained flexible, its dynamics was conditioned by seasonal factors and market formation of the balance of demand and supply of foreign currency in the domestic foreign exchange market. During the reporting period, the National Bank conducted one foreign exchange intervention to smooth sharp fluctuations in the exchange rate.

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 of the countries
Forecasts: IMF

In Q1 2025, the economies of the leading countries – the USA and China, as well as the EAEU¹ countries, Tajikistan and Uzbekistan demonstrated multidirectional dynamics under the influence of the current external economic environment and geopolitical factors.

In the reporting quarter, the US economy decreased by 0.3 percent compared to the last quarter of 2024, however it increased by 2.0 percent compared to Q1 2024. This decline is the first since Q1 2022. Surge in imports by 41.0 percent amid expectations of new tariffs and a decrease in

the government and consumer expenditures was the main factor of decline in the US GDP, meanwhile the investment growth continued.

In China, the manufacturing sector remained the driver of the stable economic growth by 5.4 percent in Q1 2025. Despite increased foreign trade restrictions, in the reporting period, China's exports grew by 6.9 percent in annual terms, while imports declined by 6.0 percent, indicating weak domestic consumer demand primarily conditioned by the problems in the housing market. The Chinese government's comprehensive measures aimed at stimulating domestic demand and diversifying the sales market are expected to mitigate the negative impact of the US tariff duties.

In April 2025, the IMF adjusted its 2025 forecasts for GDP growth in the US and China downwards: in the US from 2.7 to 1.8 percent, in China from 4.6 to 4.0 percent.

In the **eurozone**, economic growth rates remained moderate being conditioned by the reduction of exports resulted from deterioration of the producers' competitiveness. Investment activity also declined among the companies amid high expenditures for energy carriers and ambiguous economic outlook. The labor market remained tight due to severe skills staff shortages with a low unemployment rate. At the same time, forecasted easing of fiscal policy² and growth in real disposable incomes are expected to support the region's economies.

Generally, **the economies of the EAEU countries, Uzbekistan and Tajikistan** showed growth amid stable domestic consumption, growth in government expenditures, as well as increase in population's incomes and active capital investment. Consumer lending increased in all countries of the region, however to a lesser extent in the Russian Federation, where the interest rates remained high, resulting in retail lending slowdown.

Among the countries of the region, high rates of economic growth were recorded in Tajikistan (+8.4 percent) and Uzbekistan (+6.8 percent). Strong economic growth in Tajikistan was the result of infrastructure projects implementation and an increase in the inflow of workers' remittances, meanwhile the services, processing and construction sectors, as well as a high level of investment activity were the main drivers of growth in Uzbekistan.

In April 2025, the IMF raised GDP growth forecasts for Tajikistan and Uzbekistan from 4.5 and 5.7 percent up to 6.7 and 5.9 percent, respectively.

¹ Hereinafter, excluding the Republic of Belarus.

² Introduction of amendments to the Constitution of Federal Republic of Germany to loosen debt restrictions.

Inflationary Environment in the External Conditions

Such factors as increased geopolitical uncertainty and changes in trade policy among the leading economies, which resulted generally in price volatility worldwide, restrained the emerging trend of world inflation slowdown during Q1 2025.

The inflation rate in **the USA and the eurozone** was above the target, however there was stable inflation slowdown in the reporting period.

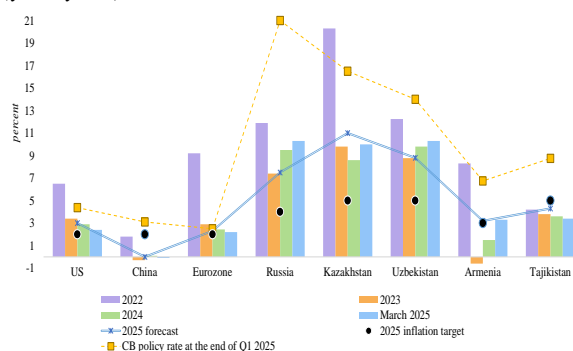
In March 2025, the inflation rate in the **USA** remained above the target of 2.4 percent (in December 2024, 2.9 percent) amid low unemployment rate and improvement of conditions in the labor market. Additional customs tariffs imposed on imported goods increased the risks of inflationary pressures in the USA, therefore international analysts raised their inflation forecasts.

In the **eurozone**, price growth continued to slow down, in March 2025, the inflation rate was 2.2 percent primarily due to decrease in prices for energy carriers.

Despite measures taken to stimulate the economy **in China**, in the reporting period, deflation was conditioned by decrease in prices for food products and low consumer demand (in March, CPI decreased by 0.1 percent, year/year). Generally, deflationary pressure is expected to persist in 2025 due to weak domestic demand.

At the same time, the inflation rate remained high **in the countries - main trading partners of the Kyrgyz Republic**, in particular, the inflation rate was above the targets in the Russian Federation, Kazakhstan and Uzbekistan. In Armenia and Tajikistan, the inflation rate was near the lower rate of the inflation target.

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



Source: statistical committees of the countries, central banks; international organizations

Forecasts: central banks and international organizations

In the Russian Federation monetary conditions were tight in the reporting period amid acceleration of the inflation dynamics from 9.5 percent in December 2024 up to 10.3 percent in March 2025 to exceed the Bank of Russia's target by more than two times. Generally, inflationary risks persisted amid strong domestic demand, significant inflation expectations, geopolitical and foreign trade uncertainty.

The increased inflationary background persisted **in Kazakhstan** (in March 2025, the inflation rate was 10.0 percent), despite tightening of the monetary conditions in the reporting period. Inflation was conditioned by growth in prices for services, increase in tariffs for housing and utilities and tenge weakening.

In Uzbekistan, inflationary pressure determined the monetary policy direction. In March 2025, the inflation rate in the country reached 10.3 percent due to an increase in prices for fuel, growth in tariffs and rise in domestic demand.

In general, monetary conditions are expected to remain relatively tight in the Russian Federation, Kazakhstan and Uzbekistan to achieve the inflation targets.

In **Armenia** and **Tajikistan**, the inflation rate was below the target amid limited influence of prices in the world commodity markets and stability of the national currencies, therefore the cycle of easing monetary conditions was still observed in the reporting period. The international analysts expect the monetary authorities of Armenia and Tajikistan to complete the easing policy by the end of 2025.

1.2. World Commodity Markets

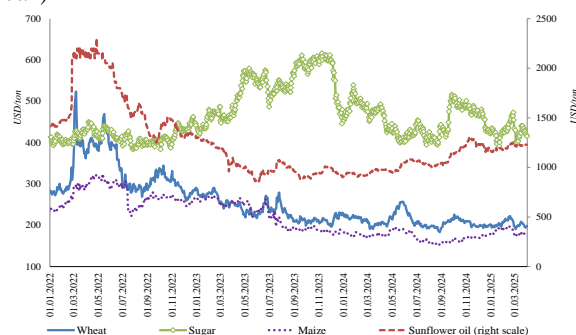
In the reporting period, the world food market maintained a moderate upward trend in prices, however the current tension in the world trade policy and risks of climatic conditions may contribute to further growth in the world food prices.

World oil prices demonstrated downward dynamics amid aggravation of trade and economic disagreements among the leading economies. The world price for gold continued to update the historical maximums due to steady demand for this asset.

Food Market

Chart 1.2.1. Dynamics of Prices for Food Products

(month to the corresponding month of the previous year)

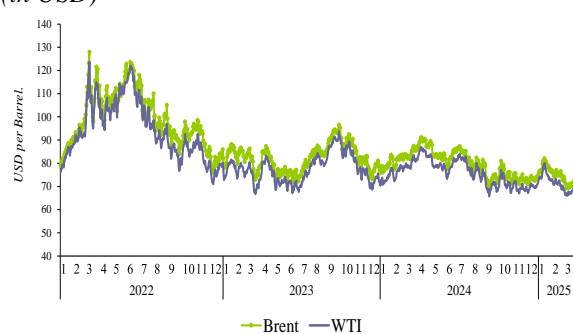


decline in prices for all types of crops included in the FAO index, including wheat due to improved wheat plantings in some leading exporting economies. A decrease in prices for sugar was primarily conditioned by weakening demand in the world markets and favorable weather conditions in the main producing areas.

Generally, the world food markets retain ambiguous price dynamics amid high uncertainty in the world economic development, however there are risks associated with unfavorable weather conditions in certain regions of the world and tensions between certain countries worldwide.

Energy Market

Chart 1.2.3. Dynamics of Oil Prices
(in USD)



Earlier this year, the price for Brent increased up to USD 82 per barrel due to introduction of new US sanctions against Russia's energy sector. At the same time, initiation of negotiations between Russia and the USA regarding settlement of conflict in the Ukraine put downward pressure on prices during the reporting period. The market participants assumed that conclusion of a peace agreement between the parties could result in lifting of Russian sanctions and, consequently, in an increase of oil supplies from Russia to the world market.

In addition, the OPEC+ decision dated March 3, 2025, was a price decline factor, where the OPEC members confirmed their plans to gradually increase oil production since April 1, 2025. New US trade policy was a factor of price volatility in the oil market.

In Q1 2025, the average world price for Brent increased by 1.7 percent compared to the previous quarter and amounted to USD 75.0 per barrel.

In Q1 2025, world prices for food products showed multidirectional dynamics, while maintaining an upward trend.

High growth rates of the world prices for vegetable oils continued to put pressure on the FAO Food Index. Prices for vegetable oils grew amid increased global demand and seasonal decrease of production output. However, this dynamics was offset by a decline in prices for crops and sugar at the end of the reporting period. The downward dynamics of crops was conditioned by a

In Q1 2025, oil prices showed volatility amid the US trade policy and OPEC+ decisions.

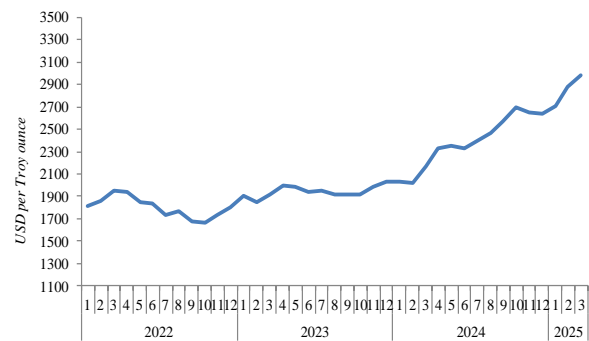
Earlier this year, the price for Brent increased up to USD 82 per barrel due to introduction of new US sanctions against Russia's energy sector. At the same time, initiation of negotiations between Russia and the USA regarding settlement of conflict in the Ukraine put downward pressure on prices during the reporting period. The market participants assumed that conclusion of a

According to the analysts’ forecasts, in 2025, a variety of factors creating increased volatility will continue influencing the oil market. The determining factors will be as follows: imbalance between total demand and supply resulted from OPEC+ decisions, possible slowdown in global economic growth amid trade tensions, as well as sustainable geopolitical uncertainty.

Bloomberg analysts expect the average price for Brent at USD 64.0-71.0 per barrel in 2025 and USD 58.0-70.0 per barrel in 2026.

Gold Market

Chart 1.2.4. Dynamics of Gold Prices



Source: IA Bloomberg

In Q1 2025, the global demand for gold reached the maximum level to result in renewal of the gold price up to highest ever values.

In the reporting quarter, the average price for gold rose by 38.1 percent compared to the same period in 2024 to reach the highest ever value of USD 3,124.0 per Troy ounce. This growth was driven by increased demand from the investors trying to diversify financial risks amid a decline in the dollar index. In Q1 2025, net gold purchases made

by the central banks totaled 244.0 tons, having decreased by 21.0 percent compared to the same period in 2024, however they were within the quarterly range during the past three years.

In 2025, Bloomberg IA analysts forecast the world price for gold to be formed at approximately USD 3,000.0 per Troy ounce.

Chapter 2. Macroeconomic Development

2.1. Demand and Supply in the Commodities and Services Market

Chart 2.1.1. Dynamics of internal demand and cross-border remittances

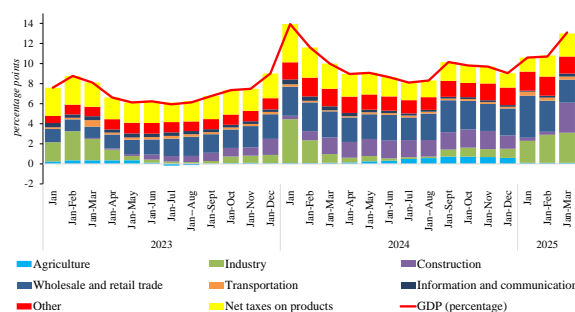
(quarter to the corresponding quarter of the previous year)



Source: NSC KR, calculations: NBKR

Chart 2.1.2. Input of main sectors to GDP growth

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



Source: NSC KR, calculations: NBKR

Table 2.1.3. Capital investments by sources of financing

	January-March			
	2024	2025	2024	2025
	millions of KGS		share, percent	
Total	27 673,3	56 779,6	100,0	100,0
Internal investment	24 290,2	54 382,8	87,8	95,8
Republican budget	2 653,1	24 014,4	9,6	42,3
Local budget	142,5	654,4	0,5	1,2
Funds of enterprises and organizations	9 427,5	17 022,3	34,1	30,0
Banks' credits	499,1	523,5	1,8	0,9
Population funds including beneficent help of KR residents	11 568,0	12 168,2	41,8	21,4
External investment	3 383,1	2 396,8	12,2	4,2
Foreign credit	1 846,1	1 424,6	6,7	2,5
Direct foreign investments	675,8	374,9	2,4	0,7
Foreign grants and humanitarian aid	861,2	597,3	3,1	1,0

Source: NSC KR

During the reporting period, the economy of the Kyrgyz Republic still demonstrated high growth rates of GDP due to accelerated consumer and investment activity of the private and public sectors.

At the end of Q1 2025, GDP increased in real terms by 13.1 percent, which exceeded the same indicator of the previous year (+10.0 percent).

There was stable growth in the real incomes of the population (in January –March 2025, wages increased by 10.7 percent, net inflow of individuals' cross-border remittances into the country grew by 23.4 percent) stimulating consumer demand. The number of new jobs increased and the unemployment rate declined to become the main factors for sustainable growth of consumer expenditures amid growth in wages during the last three years.

In the reporting period, most sectors of the economy showed stable and high growth, taking into account previously achieved level of economic activity. Services, construction and industry, with inputs of 4.7, 3.0 and 3.0 p.p., respectively to GDP growth, were the main drivers of economic development.

Growth rates in the services sector increased by 8.7 percent, in industry – by 16.0 percent and in construction – by 69.0 percent.

In the reporting period, investment activity in the country showed stable growth to reflect improved prospects for further economic development. In the reporting period, capital investments grew by 90.6 percent and significantly exceeded the average values for the last three years. Supporting measures taken by the Cabinet of Ministers of the Kyrgyz Republic, expansion

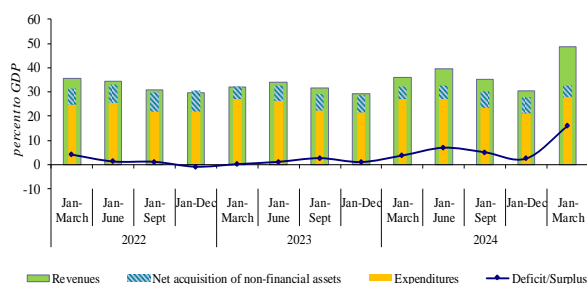
of internal sources of financing, active growth of lending to economic entities, increase in capital expenditures of the republican budget contributed to it.

Growth rates of lending¹, taking into account monetary conditions, were high to provide support for the growth of consumer and investment activity. At the same time, there was growth in consumer lending in the nominal (by +2.2 times) and real terms, which indicated a positive credit impulse that supported growth of economic activity in the country.

¹ New credits.

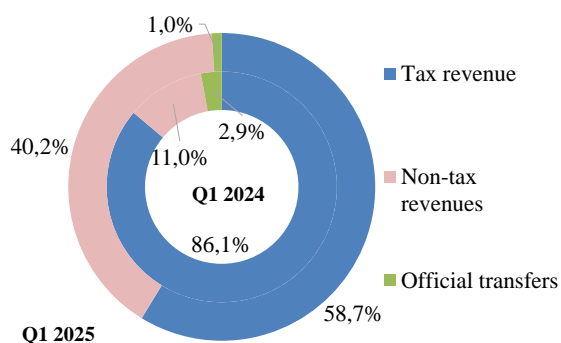
Public Finances Sector

Chart 2.1.4. Execution of the State Budget
(period to the corresponding period of the previous year)



Source: CT MFKR

Chart 2.1.5. Structure of the State Budget Revenues



Source: CT MFKR

In Q1 2025, the state budget was executed with a significant surplus of 16.1 percent to GDP.

At the end of Q1 2025, the budget surplus was formed at 16.1 percent to GDP or KGS 53.0 billion due to outstripping growth rates of the state budget revenues compared to growth of its expenditures.

State budget revenues from operating activities increased by 80.3 percent compared to the same period of 2024 and amounted to KGS 160.6 billion or 48.8 percent to GDP. This indicator increased compared to the same period of 2024 mainly due to growth of tax and non-tax revenues. Taxes on income and profit (+41.6 percent or KGS +9.1 billion) and taxes on international trade and foreign operations (+74.1 percent or KGS 4.9 billion) showed the largest growth in the structure of tax revenues. An increase in non-tax revenues (by +6.6 times or KGS 54.9 billion) was primarily conditioned by transfer of profit for 2024 in the amount of KGS 45.7 billion by the National Bank of the Kyrgyz Republic.

State budget expenditures for operating activities increased by 36.3 percent or KGS 24.3 billion in annual terms and amounted to KGS 91.4 billion or 27.8 percent

to GDP. There was increase on almost all items of expenditures: the largest growth was observed on the items “health care” (by + 5.7 times) and “economic issues” (by + 4.1 times).

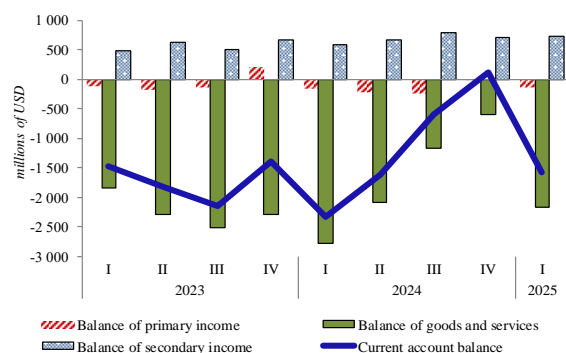
Net acquisition of non-financial assets increased by 25.9 percent compared to 2024 and amounted to KGS 16.2 billion or 4.9 percent to GDP. The expenditures were primarily accounted for the item “buildings and structures”, including expenditures for major road repairs (KGS 3.9 billion) and for the purchase of machinery and equipment (KGS 4.1 billion).

At the end of 2025, the republican budget surplus is expected at 1.5 percent to GDP, in 2026 – 2.0 percent to GDP and in 2027 – 2.1 percent to GDP. The Cabinet of Ministers of the Kyrgyz Republic plans to use the budget surplus for expenditures related to economic activities, as well as for covering the debt obligations of the state.

2.2. External Sector¹

In Q1 2025, the current account deficit decreased due to improvement in the negative values of the goods and services account and the primary income balance amid stable positive dynamics in inflows on the secondary income balance.

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.

Chart 2.2.1. Current Account

Note: According to the preliminary and forecast data.

According to the preliminary data and estimates of the National Bank, in Q1 2025 the negative balance of the current account amounted to USD 1,562.1 million or 19.9 percent to GDP¹.

In the reporting period, the trade balance decreased by 18.2 percent, down to USD (-) 2,117.1 million, mainly due to the high base of the same period of 2024 along with a decline in exports and imports.

Export of goods (in FOB prices) slightly reduced by 6.5 percent and amounted to USD 506.8 million. In the reporting period

slowdown in exports was largely conditioned by a decline in the supplies of gold (non-monetary), non-ferrous base metal waste and scrap, cotton, live animals and meat products influenced the volumes of exports in the reporting period. Exports excluding gold developed in the volume of USD 453.1 million and increased by 12.7 percent. Export was supported by supplies of ores and precious metal concentrates, kerosene, motor gasoline, fresh or dried fruit and nuts.

At the same time, import of goods (in FOB prices) diminished by 16.2 percent and amounted to USD 2,624.0 million. The negative trend of imports was generally conditioned by a noticeable drop in the supplies of motor cars, parts of equipment for production machinery, articles of apparel and gas oil. At the same time, there was a boost in import of energy products by 24.8 percent owing to growth in physical volume and value, as a result, this indicator was formed at USD 340.4 million.

In the reporting period, the structure of the secondary income balance entirely consisted of inflows on the item “workers’ remittances”.

An expansion of the volume of individuals’ cross-border remittances had a key impact on the positive dynamics of net inflow on the item “workers’ remittances” (an increase by 26.0 percent). The absence of grant support from the development partners as well as contributions of the Kyrgyz Republic to the international organizations affected the balance of the general government sector.

Meanwhile, according to the National Bank’s preliminary estimates, the balance of services and primary income balance formed in the deficit zone and amounted to USD (-) 54.0 million and USD (-) 131.1 million (a decrease by 70.3 and 13.8 percent), respectively.

Inflow on the capital account was anticipated at USD 24.4 million, having descended by 31.5 percent as compared to Q1 2024.

According to preliminary forecast data of the National Bank, in Q1 2025, net borrowing from the rest of the world, presented in the financial account, is estimated at USD 1,521.3 million.

By the National Bank’s expectations, the financial account will be developed by incurring in the private sector liabilities to non-residents affected the growth in other investments.

Thus, according to the preliminary result of Q1 2025, the balance of payments of the Kyrgyz Republic is predetermined with a negative sign in the amount of USD(-) 186.7 million.

¹ Ratios to GDP are calculated based on sliding annual data, including the last four quarters.

Chapter 3. Monetary Policy

Key Trends

- The target of implemented monetary policy is to keep the inflation rate within the medium-term target of 5-7 percent. In order to achieve the inflation targets, the National Bank conducted appropriate monetary policy.
- During the reporting quarter, the external environment conditions remained key factors influencing inflationary processes in the Kyrgyz Republic. In these conditions, taking into account assessment of the inflation factors in the short and medium term, the National Bank kept the size of the policy rate unchanged at 9.00 percent.
- In the money market, the short-term interest rates were still formed within the interest rate corridor set by the National Bank, mainly near its lower boundary.
- The growth of excess liquidity in the banking system persisted. The National Bank actively regulated excess liquidity in the banking sector to ensure the equilibrium level of money supply in the economy through monetary instruments. Generally, the money market participants gave their preference in favor of placing “overnight” deposits by the commercial banks with the National Bank.
- Monetary indicators (monetary base and aggregates) showed stable growth.
- The banking sector was characterized by an increase in the resource base and growth of lending, including for consumer purposes of the population and financing of trade and agriculture.
- The situation in the domestic foreign exchange market remained relatively stable. As a result of the market-driven formation of foreign currency demand and supply, exchange rate flexibility was maintained.
- The National Bank’s ongoing monetary policy contributed to inflation forming within the medium-term target and to reduction of the economic entities’ inflationary expectations.

3.1. Monetary Policy Implementation

Monetary Conditions

The monetary policy conditions in the Kyrgyz Republic generally remained unchanged in Q1 2025. These decisions were taken due to the strengthening of geopolitical factor in the world and high price volatility in the world financial and commodity markets.

The internal (planned change in the state tariff policy and steady increase in domestic demand) and external (geopolitical uncertainty and change in the policy of world trade) factors remained in the economy of the country affecting price dynamics. Despite this, the overall impact of these factors on price dynamics was assessed as moderate and was restrained through taken monetary policy measures.

During the reporting quarter, the issue of the policy rate was discussed twice by the National Bank’s Board – on January 27 and February 24. Following the results of the Board’s meetings, taking into account high degree of uncertainty in the external environment due to strengthening of geopolitical factors, as well as taking into account assessment of their impact on the economy of the country, it was decided to keep the key rate of the National Bank unchanged at 9.00 percent.

The size of the policy rate as well as the boundaries of the interest rate corridor remained unchanged: the interest rate on “overnight” deposits (lower bound) – 4.00 percent, the interest rate on “overnight” credits (upper bound) – 11.00 percent.

Tactical monetary policy decisions were made taking into account evolving trends in development of money and foreign exchange markets, fiscal sector operations, and the significant volume of excess liquidity in the banking system.

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

Liquidity Regulation in the Banking Sector

The trend of excess liquidity steady growth in the banking system prevailed during the second half of the reporting quarter. However, excess liquidity was formed under the influence by the operations conducted by the government authorities and in the monetary sector.

In order to level monetary factors of inflation, the National Bank took active measures aimed at regulating money supply in the economy. These monetary measures contributed to maintaining an optimal level of liquidity in the banking system, ensuring stability in the money and foreign exchange markets.

The average daily volume of excess liquidity amounted to KGS 112.8 billion, demonstrating significant upward dynamics compared to the previous periods. In particular, this indicator increased by 34.4 percent compared to Q4 2024 and by 27.3 percent compared to Q1 2024.

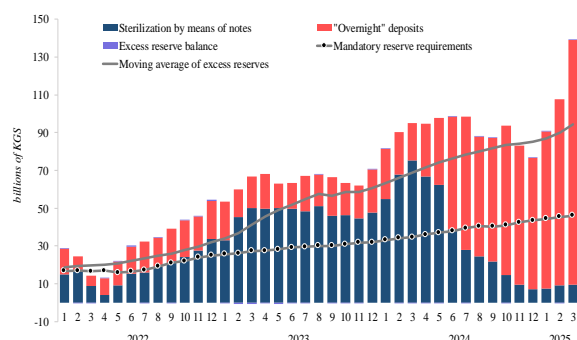
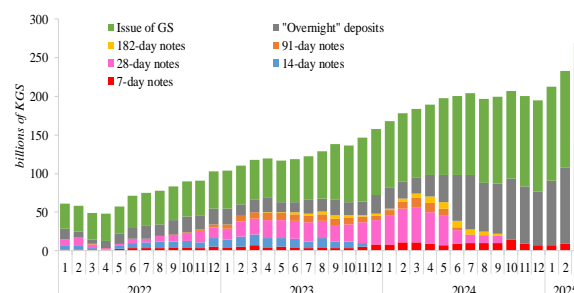
Excess reserves were primarily concentrated, as before, with the systemically important participants of the money market. This structural feature of excess liquidity distribution was taken into account by the National Bank when developing tactical steps of the monetary policy.

To order to limit the monetary component of inflation, the National Bank actively conducted operations to absorb excess liquidity from the banking system through the open market operations (issue of the National Bank's notes) and attraction of the commercial banks' available funds to "overnight" deposits in the National Bank. Finally, the average daily volume of the National Bank's sterilization operations increased from KGS 84.4 billion in Q4 2024 up to KGS 112.6 billion (an increase by 33.4 percent) in the reporting quarter.

In the reporting period, as before, "overnight" deposits were the most preferable instrument of liquidity absorption due to the short maturity of excess liquidity. The share of these operations in the structure of absorption was formed at 92.3 percent (growth by 4.7 p.p. compared to the share in Q4 2024), meanwhile the average daily volume amounted to KGS 103.9 billion. The range of the total minimum and maximum volume of the banks' average daily funds on "overnight" deposits ranged from KGS 67.6 billion up to KGS 142.8 billion (in Q4 2024, from KGS 51.0 billion up to KGS 91.0 billion).

The share of the National Bank's notes in the structure of sterilization operations, on the contrary, decreased by 4.7 p.p., down to 7.7 percent compared to the previous quarter. The average daily volume of withdrawal through the notes amounted to KGS 8.7 billion (in Q4 2024, KGS 10.5 billion).

In the reporting quarter, "overnight" credits of the National Bank were not in demand amid absence of short-term liquidity gaps with the commercial banks.

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 2025****1****Interest Rate Policy****January 27**

Domestic inflation remained within the medium-term targets due to the monetary policy, however, external factors contributed to inflationary pressure. Therefore, the decision was made to keep the key interest rate of the National Bank unchanged at 9.00 percent.

February 24

Foreign economic conditions remained ambiguous due to geopolitical factors and were characterized by high degree of uncertainty. At the same time, the impact of internal factors on price movement (planned revision of the state tariff policy and stable domestic demand) was assessed as moderate. Taking these factors into account, the decision was made to keep the National Bank's policy rate unchanged at 9.00 percent.

The rates of the interest rate corridor were also kept unchanged: the interest rate on "overnight" deposits – 4.00 percent, the interest rate on "overnight" credits – 11.00 percent.

2**Implementation of Tactical Measures of Monetary Policy and Exchange Rate Policy****Liquidity absorption operations****Conducting foreign exchange interventions (on sale of foreign currency)**

Inflationary background in the Kyrgyz Republic remained moderate due to the monetary policy conducted by the National Bank. In Q1 2025 (quarter to the corresponding quarter of the previous year), the annual inflation rate in the country was formed at 6.9 percent (in Q4 2024 – 5.6 percent).

3.2. Financial Market Instruments

In Q1 2025, the money market environment was influenced by the factors of growth of the total excess liquidity in the banking system and, as a consequence, an

increase in the banks' demand for certain financial instruments. In Q1 2025, the volumes of money market transactions increased compared to the previous quarter.

In the reporting quarter, the short segment of the money market was characterized by the highest demand of its participants. This segment of the money market was represented by the National Bank's notes market, the interbank credit market (IBCM) and its foreign exchange segment.

At the same time, positive dynamics of lending to the economy and expansion of the commercial banks' deposit base remained stale.

Dynamics of Short-Term Money Market Interest Rates

Short-term interest rates in the money market remained near the lower rate of the interest rate corridor set by the National Bank amid stable monetary conditions. However, they were formed under the influence of excess liquidity upward dynamics in the banking sector and investment preferences of the money market participants.

In the National Bank's notes market, the interest rates average spread of (-) 5.57 percent was kept unchanged as in the previous quarter. At the same time, this segment of the money market was represented only by 7-day notes of the National Bank. Their weighted average yield was at the level of the previous period and amounted to 3.43 percent.

Dynamics of interbank credit resources on REPO terms demonstrated increase in demand with the stable weighted average yield of 4.06-4.08 percent compared to the previous quarter (the volume of conducted transactions increased by 23.7 percent). Finally, the spread between the policy rate and the REPO rate slightly widened compared to the previous period (by 0.01 p.p.) up to (-)4.92 p.p.

Chart 3.2.1. Interest Rates of the Money Market

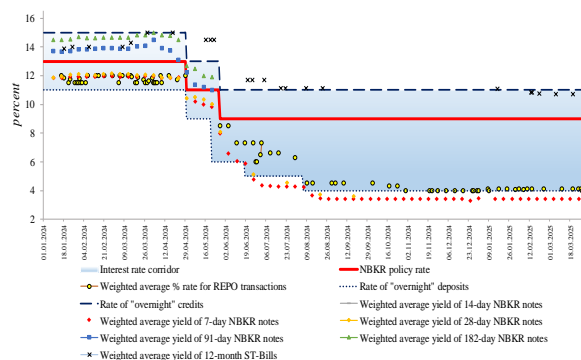
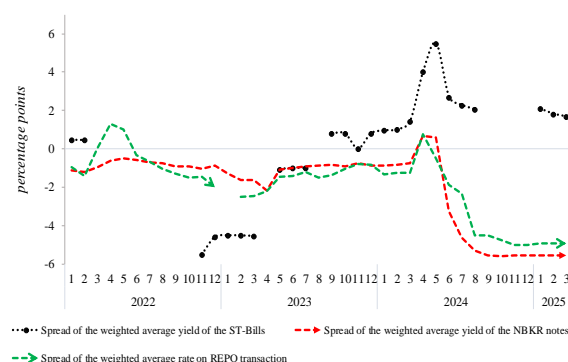
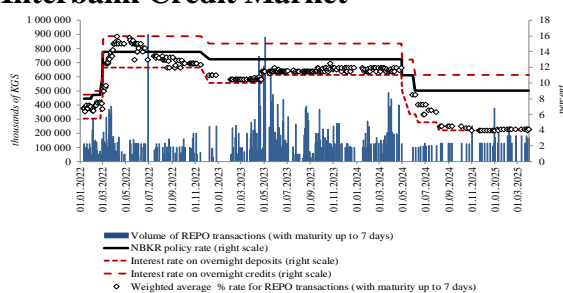


Chart 3.2.2. Spread between the Short-Term Rates of the Money Market and the Key Rate of the National Bank



Interbank Credit Market

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



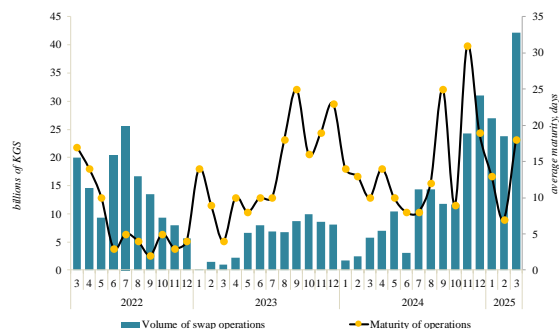
In Q1 2025, the interbank credit market demonstrated higher activity of the market participants in the segment of REPO transactions compared to the previous period.

In Q1 2025, the activity of interbank credit market participants increased compared to the previous quarter. In Q1, the total volume of transactions amounted to KGS 2.7 billion (+23.7 percent compared to Q4 2024). However, the volume of transactions decreased

by 45.9 percent compared to Q1 2024 (in Q1 2024, KGS 5.0 billion).

In the reporting period, the weighted average rate in the interbank credit market was kept unchanged since Q4 2024 and amounted to 4.1 percent. During the reporting period, the weighted average maturity of credits increased up to 8 days (+2 days) compared to the previous quarter. The transactions were conducted on pledge of ST-Bonds.

Chart 3.2.4. Dynamics of Swap Transactions



The commercial banks actively conducted SWAP transactions in foreign currency as an alternative source of financing in the national currency.

In the reporting period, the total volume of transactions in the SWAP market increased by 38.9 percent compared to Q4 2024 and amounted to KGS 92.9 billion (annual growth by 9.2 times).

Market of the National Bank's Notes

In Q1, the supply, demand and sales indicators decreased compared to the previous quarter in the market of the National Bank's notes.

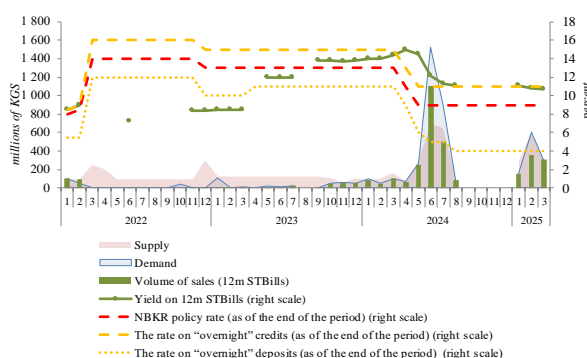
In Q1 2025, the volume of sales of the National Bank's notes decreased down to KGS 110.0 billion (-16.1 percent) compared to the previous quarter. The demand and supply indicators also decreased by 1.1 and 21.4 percent, respectively, compared to Q4 2024. In the reporting period, the National Bank placed 7-day notes at the auctions, meanwhile the notes with maturities exceeding 7 days were not offered in the market. In Q1 2025, the weighted average yield of 7-day notes remained unchanged and amounted to 3.43 percent.

Government Securities Market

In Q1 2025, the government securities (GS) market was represented by the securities of all maturities, excluding 15- and 20-year securities. Long-term ST-Bonds with 3- and 7-year maturities were in the greatest demand among the market participants. Short-term segment of GS, as well as in previous periods, was represented by 12-month ST-Bills.

ST-Bills

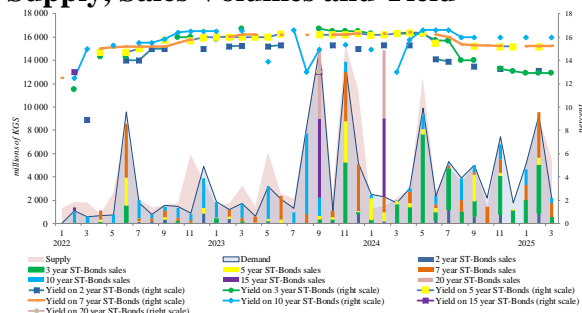
Chart 3.2.5. ST-Bills Market Indicators



In Q1 2025, there was active placement of ST-Bills on the trading platform of KSE CJSC, ST-Bills were not offered on the trading platform of the National Bank.

In Q1 2025, the volume of ST-Bills supply on the KSE trading platform increased by 3.4 times compared to the indicator of the same period of 2024 and amounted to KGS 1,200 million. The volume of demand amounted to KGS 1,068.5 million (an increase by 4.3 times) and was satisfied by 89.0 percent. The volume of sales including

additional placement increased by 3.4 times compared to the same period of 2024 and amounted to KGS 817.5 million. In Q1, the weighted average yield of 12-month ST-Bills decreased by 3.4 p.p. compared to Q1 2024 and amounted to 10.8 percent.

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

In Q1, the total weighted average yield of ST-Bonds remained at the level of the previous quarter of 14.5 percent, meanwhile the weighted average yield decreased by 1.7 p.p. compared to the same period of 2024. In the reporting period, the volumes of ST-Bonds supply and demand grew by 2.0 times and by 36.6 percent, respectively, compared to Q4 2024.

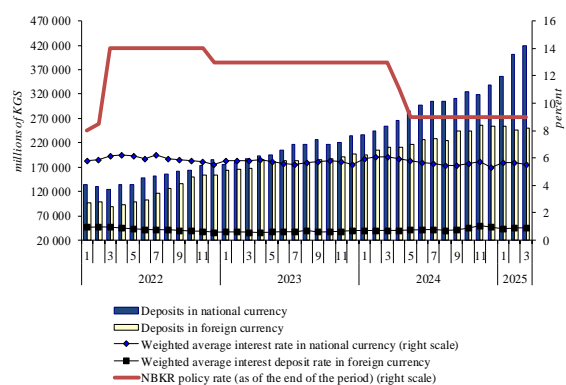
In terms of maturities, 3- and 7-year ST-Bonds demonstrated the largest volume of sales, the share thereof in the total volume amounted to 42.8 and 41.3 percent, respectively. 10-year ST-Bonds (11.7 percent) were also in demand, while 5-year ST-Bonds (4.1 percent) were in little demand.

At the end of Q1, the structure of ST-Bonds holders (on the National Bank's platform) changed insignificantly compared to Q4 2024. Institutional investors held 42.0 percent of all ST-Bonds in circulation (+0.5 p.p. compared to the end of the previous quarter). The share of commercial banks increased up to 31.9 percent (+0.6 p.p.). The share of resident legal entities increased up to 7.8 percent of the total volume (+1.0 p.p.). Other participants together held 18.3 percent of all ST-Bonds in circulation.

In Q1 2025, one auction on placement of 2-year ST-Bonds in the amount of KGS 875.0 million with the weighted average yield of 13.1 percent was held on the platform of KSE CJSC. The volume of sale increased by 9.4 percent and the yield decreased by 0.2 p.p. compared to the previous quarter.

Deposit Market

The commercial banks' deposit base in the national currency showed stable upward trend, while the deposit base in foreign currency decreased after some period of growth.

Chart 3.2.7. Dynamics of Commercial Banks' Deposits

At the end of Q1, the banks' total deposit base amounted to KGS 668.6 billion, having increased by 12.9 percent during the quarter. The growth of the deposit base was due to an increase in deposits in the national currency by 23.8 percent, up to KGS 418.3 billion.

The growth of the deposit base in the national currency was mainly due to an increase of deposits on current accounts by 32.7 percent (up to KGS 200.8 billion), as well as time deposits – by 19.0 percent (up to KGS 128.9 billion), meanwhile demand

deposits grew by 13.2 percent (up to KGS 88.6 billion) compared to the end of Q4 2024. Such dynamics changed the structure of the deposit base in the national currency: the share of current

account deposits increased up to 48.0 percent (+3.2 p.p.), meanwhile the share of time deposits decreased down to 30.8 percent (-1.2 p.p.), and the share of demand deposits fell down to 21.2 percent (-2.0 p.p.).

The deposit base in the national currency by persons consists mainly of residents' deposits (98.0 percent of the total volume), particularly of individuals' (38.8 percent) and legal entities' deposits (43.5 percent).

In Q1 of the current year, the deposit base in foreign currency showed stable growth, thus, the largest growth in terms of maturity was observed in time deposits (an increase by 9.7 percent, up to KGS 50.1 billion compared to the previous quarter).

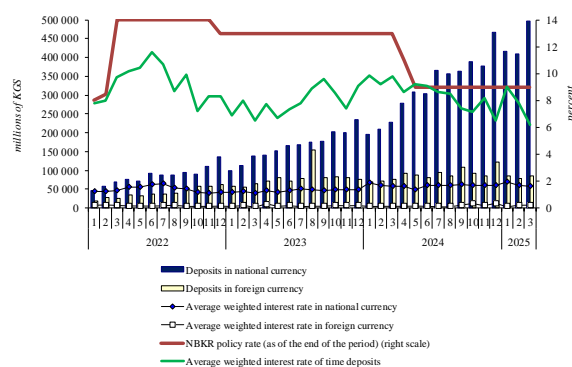
In addition, demand deposits increased by 2.0 percent (up to KGS 97.0 billion). At the same time, the current account deposits decreased by 9.2 percent (down to KGS 103.2 billion). In the structure of deposits in foreign currency, the share of demand deposits and time deposits increased up to 37.4 and 18.0 percent compared to the previous quarter, while the share of current accounts decreased down to 44.7 percent.

The deposit base in foreign exchange by persons was formed mainly by resident legal entities deposits – 43.8 percent (mainly current accounts) and non-resident individuals' deposits – 27.3 percent (mainly demand accounts).

In January-March 2025, the total volume of new deposits increased by 85.1 percent compared to the same period of 2024 and amounted to KGS 1.6 trillion. This increase was mainly conditioned by growth of deposits in the national currency, in January-March, the volume thereof amounted to KGS 1.3 trillion (an increase by 2.1 times). The volume of new deposits in foreign currency increased by 16.3 percent compared to the same period and amounted to KGS 251.4 billion.

At the end of March 2025, dollarization of deposits amounted to 37.4 percent (-5.5 p.p. compared to the end of December 2024), while dollarization adjusted for the policy rate decreased down to 37.6 percent (-5.3 p.p.).

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 changes compared with the indicators of Q4 2024.

In March 2025, the weighted average interest rate on time deposits of the deposit base in the national currency decreased slightly compared to the beginning of the year (-0.5 p.p.) and constituted 11.7 percent (-1.0 p.p. compared to March 2024).

In Q1, the interest rates on new time deposits in the national currency decreased by 0.2 p.p. compared to the previous quarter and

by 2.0 p.p. compared to the same period of 2024 and amounted to 9.9 percent.

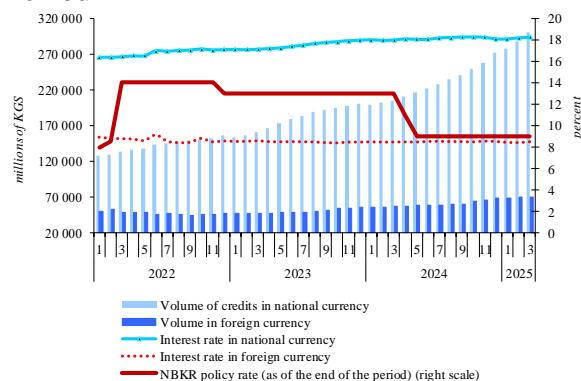
At the end of the reporting period, the concentration index¹ in the deposit market remained at the same level compared to the previous quarter, having changed insignificantly

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.

since the beginning of 2025, and amounted to 0.12. This index demonstrates competitive conditions of the deposit market with eight participants with equal shares.

Credit Market

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



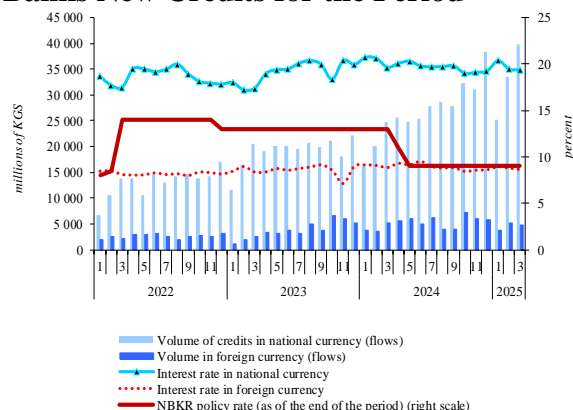
mortgage credits (+7.0 percent).

In the structure of the credit portfolio in the national currency in the context of persons, the share of 66.8 percent was accounted for the credits of resident individuals (+1.4 p.p. compared to the end of Q4 2024), 33.0 percent – the credits of resident legal entities (-1.4 p.p.), meanwhile the share of non-residents amounting to 0.2 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.

The credit portfolio in foreign currency increased by 3.9 percent, up to KGS 71.1 billion compared to Q4 2024.

In January - March 2025, the total volume of new credits increased by 51.8 percent compared to the same period of 2024 and amounted to KGS 112.3 billion. The volume of new credits in the national currency increased by 60.6 percent compared to the same period of 2024, up to KGS 98.5 billion. The volume of new credits in foreign currency demonstrated upward dynamics by 8.7 percent, up to KGS 13.7 billion.

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



slightly decreased compared to the same period of 2024 (-0.6 p.p.). The weighted average interest rate on new credits in foreign currency amounted to 8.8 percent, having slightly changed compared to January - March 2024 (-0.2 p.p.).

As at the end of Q1, as well as in the previous quarter, the credit market general concentration index was stable at 0.1. This index corresponds to a low level of concentration

In Q1 2025, active lending to the economy continued.

At the end of Q1 2025, the banks' credit portfolio increased by 9.0 percent during the quarter and amounted to KGS 371.5 billion. Generally, growth of credits in the national currency by 10.3 percent, up to KGS 300.5 billion, conditioned an increase the credit portfolio.

In Q1, growth of credits issued in the national currency was mainly conditioned by an increase of consumer credits (+16.4 percent), credits issued for trade and commercial operations (+9.4 percent) and

“Trade and commercial operations” were the main sector of lending in foreign currency with the share of 56.2 percent. The volume of lending in these sectors increased by 5.2 percent compared to the end of 2024.

Moreover, the sectors of mortgage (+22.6 percent) and agriculture (+18.4 percent) showed positive dynamics, the shares thereof in the total credit portfolio in foreign currency amounted to 5.3 and 1.5 percent, respectively.

The weighted average interest rate on new credits in the national currency amounted to 19.7 percent in January - March, having

and is equivalent to the presence of ten banks with equal shares in the market. The sectoral concentration index was 0.29, indicating the main three sectors of lending.

At the end of Q1 2025, the qualitative characteristics of the credit portfolio were as follows: the share of overdue credits in the credit portfolio remained unchanged at 1.9 percent year-to-date the share of extended credits decreased down to 1.9 percent (-0.2 p.p.).

At the end of March 2025, dollarization of the credit portfolio amounted to 19.1 percent (-0.9 p.p. compared to December 2024), while dollarization adjusted for the policy rate decreased to 19.0 percent (-1.1 p.p.).

3.3. Dynamics of Monetary Indicators

In Q1 2025, the volume of monetary base decreased by 2.3 percent compared to the Q4 2024. This decline was conditioned by reduction of the commercial banks' funds on the correspondent accounts of the National Bank by 15.4 percent and stable slowdown in the growth rate of money in circulation by 1.6 p.p., down to (+0.5) percent. The annual growth rate, on the contrary, demonstrated growth by 17.7 percent amid low base of the indicator in Q1 2024.

In the reporting period, the transactions of the general government sector had a negative impact on the growth of reserve money, to reduce it by KGS 21.1 billion. This dynamics resulted from the excess of receipts to the state budget revenues over its expenditures. Tax revenues prevailed in the structure of budget revenues and amounted to 39.3 percent of the total volume. This is explained by the period of payment of various tax liabilities, including profit tax and property tax (on non-residential buildings, premises and structures) in the reporting period. The share of non-tax revenues amounted to 36.2 percent.

There were insignificant changes in the structure of the monetary base. The share of reserves of other deposit corporations in the national currency decreased by 2.4 p.p. and amounted to 15.7 percent. At the same time, the share of cash in circulation increased by a similar amount and constituted 84.3 percent.

Finally, at the end of Q1 2025, the volume of monetary base amounted to KGS 286.8 billion. The monetary base in broad definition, including funds in foreign currency, amounted to KGS 419.8 billion, demonstrating growth by 14.8 percent compared to the previous period (in annual terms, this indicator increased by 62.7 percent).

Monetary Aggregates Growth Rates

In the reporting quarter, all monetary aggregates demonstrated positive dynamics. Quantitative growth rates exceeded the indicators of the previous quarter and the same period of the previous year. Significant annual growth of transferable deposits in the national currency (money on current and demand accounts) by 93.5 percent, as well as time deposits in the national currency by 36.0 percent was the main factor of this dynamics. This positive trend was supported by macroeconomic factors observed in Q1 2025. Growth of activity in the construction and trade sectors, as well as growth of capital investment and average monthly nominal wages contributed to an increase in incomes of population and enterprises, which made it possible to increase the volume of funds on settlement accounts for current needs and savings on time deposits.

Finally, at the end of Q1 2025, transferable deposits increased by 28.0 percent compared to the previous quarter (in Q4 2024, growth by 18.9 percent) and amounted to KGS 242.9 billion. Time deposits in the national currency grew by 12.7 percent and amounted to KGS 105.7 billion (growth by 10.7 percent in the previous period).

The volume of deposits in foreign currency showed stable decline, having decreased by 3.8 percent compared to the previous quarter (in Q4 2024, there was a slight increase by 2.3 percent). At the end of the period, the total volume of deposits in foreign currency amounted to KGS 176.8 billion.

The upward dynamics of monetary aggregates was as follows compared to the previous quarter:

- *money outside banks (M0)* increased by KGS 7.7 billion (+3.7 percent) and amounted to KGS 213.6 billion (in annual terms, growth by 20.7 percent);
- *narrow money (M1)* grew by KGS 60.8 billion (+15.4 percent) and amounted to KGS 456.5 billion (in annual terms, growth by 50.9 percent);
- *broad money (M2)* increased by KGS 72.8 billion or by 14.9 percent and amounted to KGS 562.2 billion (in annual terms, growth by 47.8 percent);
- *broad money, including deposits in foreign currency (M2X)*, increased by KGS 65.8 billion or by 9.8 percent and amounted to KGS 738.9 billion at the end of the period (in annual terms, growth by 39.9 percent).

The total volume of deposit base in the monetary aggregate M2X increased by 49.6 percent in annual terms, up to KGS 525.4 billion.

At the end of the reporting period, broad money supply was distributed as follows:

- *money outside banks* – 28.9 percent;
- *transferable deposits in the national currency* – 32.9 percent;
- *time deposits in the national currency* – 14.3 percent;
- *deposits in foreign currency* – 23.9 percent.

Chart 3.3.1. Nominal Growth Rates of Monetary Aggregates
(in annual terms)

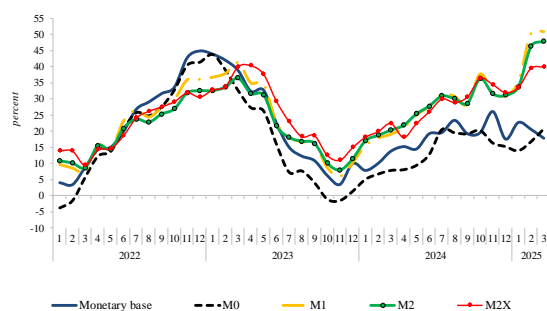
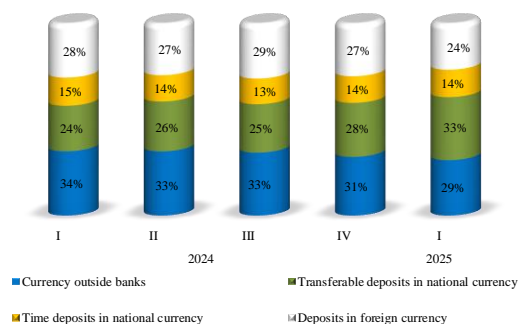


Chart 3.3.2. Structure of M2X Broad Money Components



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)

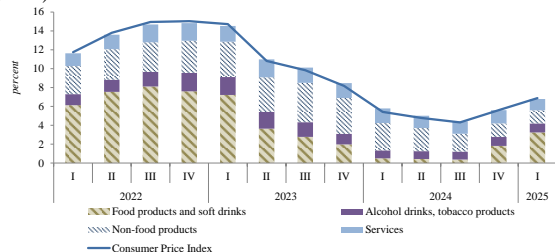


Chart 4.1.2. Dynamics of Food Prices' Contribution to Annual CPI
(month to the corresponding month of the previous year)

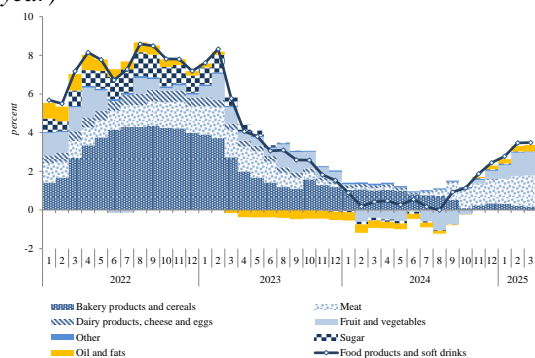


Chart 4.1.3. Dynamics of Non-Food Prices' Contribution to Annual CPI
(month to the corresponding month of the previous year)

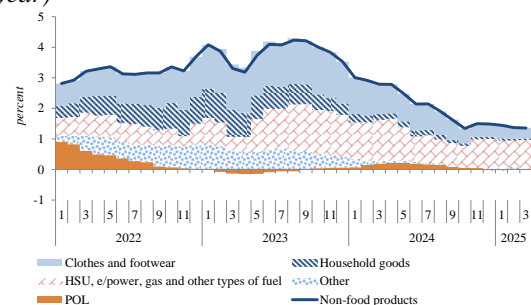
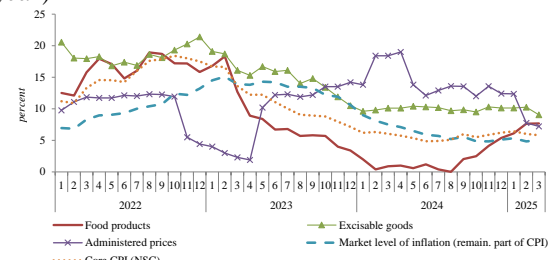


Chart 4.1.4. Dynamics of CPI by Groups of Commodities
(month to the corresponding month of the previous year)



In Q1 2025 (quarter-on-quarter), the annual inflation rate was 6.9 percent (in Q4, 5.6 percent). During the whole quarter, primarily seasonal growth of prices for certain categories of goods in the food basket contributed to inflation.

In March 2025, the annual inflation rate in the Kyrgyz Republic was 6.9 percent (in February, 7.0 percent).

In March 2025, food inflation was formed at 7.7 percent in annual terms (the contribution to the annual CPI growth was 3.5 p.p.). In the reporting period, prices for meat and the commodity group “fruit and vegetables” still made the main contribution to price movement in the food commodity group. There was an increase in prices primarily for vegetables, meat, oils and fats and fish in this commodity group. Nevertheless, in March, there was significant slowdown in monthly growth rates of prices for vegetables.

The non-food commodity group demonstrated slowdown in annual growth rates of prices. In March 2025, the annual increase in prices for non-food products was 4.7 percent. In March 2025, the contribution of non-food products to annual CPI decreased by two times compared to the corresponding month of the previous year and amounted to 1.4 p.p.

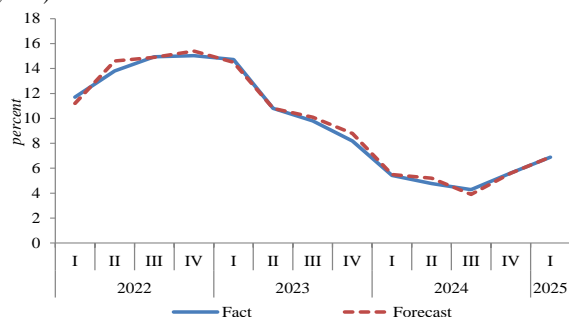
Steady slowdown in the growth rates of prices for clothes and footwear was the main factor contributing to movement in prices for non-food products. At the same time, increased indicators in the group “housing services, water, electricity, gas and other fuels” remained elevated due to measures of the state tariff policy.

In March 2025, an increase in prices for paid services was 6.3 percent in annual terms, having decreased from 9.2 percent in March 2024, contribution to the overall CPI was 1.1 p.p. Inflation in this group remained moderate due to stable movement of prices for education, healthcare, recreation, entertainment and culture 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 Q1 2025, the actual inflation rate coincided with the forecasted value expected by the National Bank.

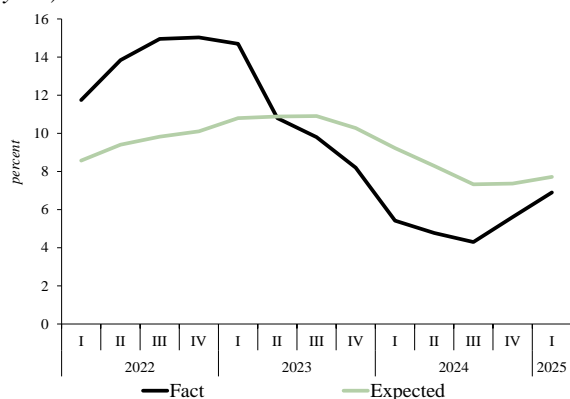
Inflation Expectations

In Q1 2025, 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 relatively high (Chart 4.2.2). In Q1 2025, price expectations of the enterprises decreased and were formed below the actual inflation rate, as shown in Chart 4.2.6.

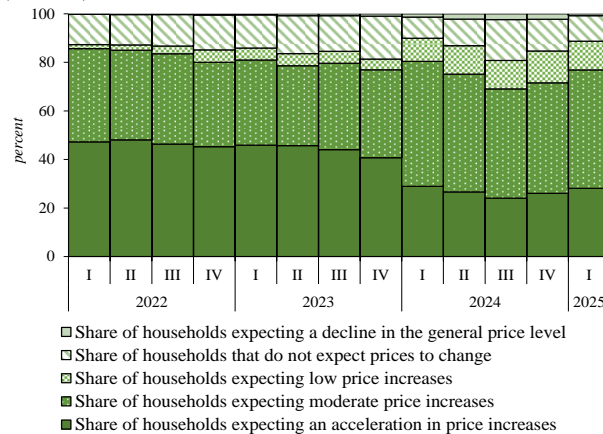
In Q1 2025, price expectations of the population still exceed the actual inflation rate. The share of respondents expecting accelerated price growth, as well as the share of respondents expecting moderate increase in prices, slightly increased compared to the previous quarter.

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)



In Q1 2025, the study of the World Bank data conducted among 1,500 households in the Kyrgyz Republic regarding inflation expectations (Charts 4.2.4 and 4.2.5) revealed slight increase in households' price expectations amid some acceleration in the growth rate of actual inflation during the last two quarters to result in convergence of expected and actual inflation. This may also indicate increased confidence in the central bank and better understanding of economic processes by the economic agents.

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

(month to the corresponding month of the previous year)

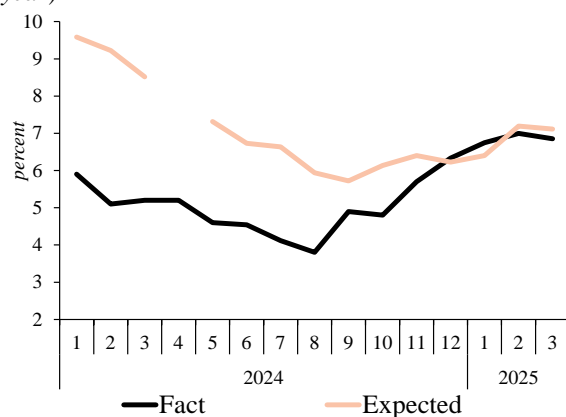
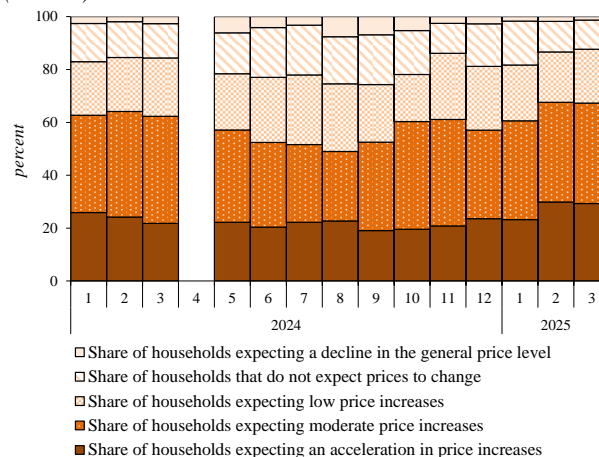


Chart 4.2.5. Distribution of Households' Answers (WB)

(shares)



In Q1 2025, inflation expectations of the enterprises showed moderate decrease (Chart 4.2.6) and were formed below the actual inflation rates due to long-lasting and stable decline in inflation until the second half of 2024. There was a slight decrease in the share of enterprises expecting acceleration in price growth, while the share of enterprises expecting no change in prices significantly increased (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)

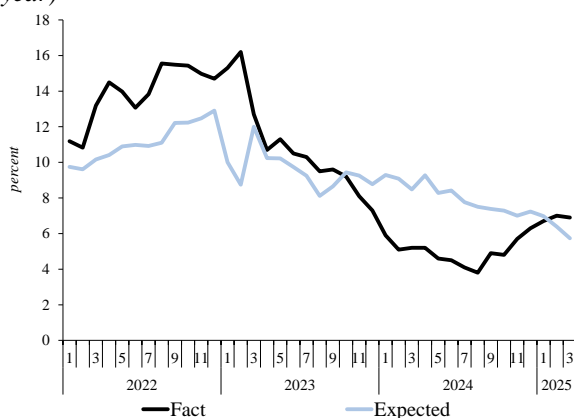
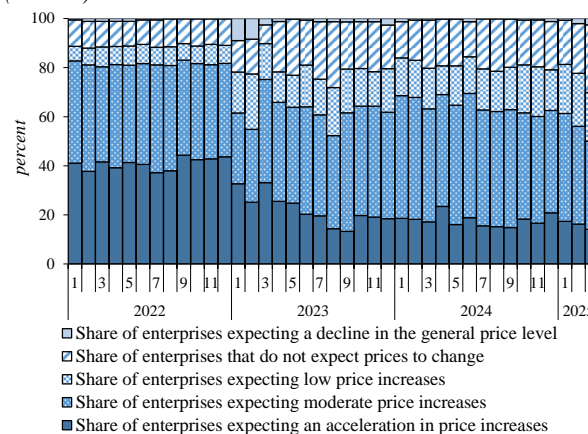


Chart 4.2.7. Distribution of Enterprises' Answers

(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.

In Q1 2025, there was slight inflation acceleration in the Kyrgyz Republic, however its dynamics remained moderate. Relative tightness of the monetary policy conducted by the National Bank has 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 poor volatility. Stable protectionist policy was conducted in the global economy, which may cause changes in the international trade, increase in tariffs for imports and possible trade disputes among leading countries. Such trend could have a negative impact on the global supply chains.

In Q1 2025, business activity in the Kyrgyz Republic demonstrated strong performance. Growing real incomes of the population, consumer lending and an increase in net inflow of remittance into the country in annual terms contributed to growth in domestic demand.

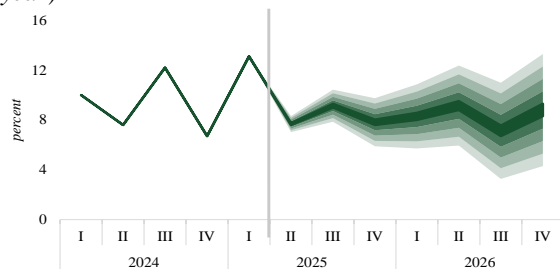
The baseline scenario of the medium-term forecast takes into account the following external economic development conditions: moderate economic growth of the main trading partner countries and weakly positive price movement in the world commodity markets. Domestic factors of economic development assume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

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 trading partner countries, as well as 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 values of the last three years.

Chart 5.1.1. Forecast of Real GDP

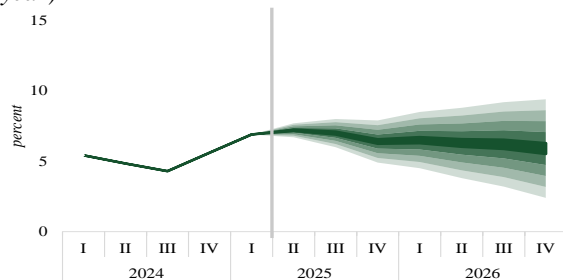
(quarter to the corresponding quarter of the previous year)



observed high activity of the business entities.

In 2026, the real GDP growth rates are forecasted at 6.1 percent.

According to the updated forecast, taking into account actual data and the factors such as acceleration of investment activity, growth of population's real incomes and increased demand, by the end of 2025, the real GDP growth will constitute approximately 8.5-9.0 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 fiscal policy measures and

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

Given the current domestic market environment and changes in the economic situation in the countries – trading partners, by the end of 2025, the average annual inflation and the annual inflation rate are expected to be within the set target corridor (5-7 percent).

Inflation will be mainly driven by increased economic activity and growth in consumer lending.

Moreover, there are risks in the food component of inflation. 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 instability of supplies and adverse weather conditions. As a result of the tariff policy conducted by the government, domestic pressure on inflation is expected to increase due to growth in prices for housing and public utility services. Implementation of the public and private projects in various sectors of the economy may also contribute to upward dynamics of inflation due to growth of the aggregate effective demand.

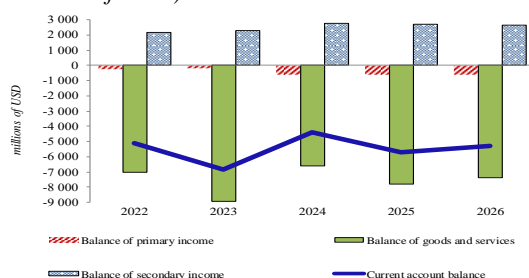
Moreover, the possible effect on prices from an increase in the cost of educational services, observed last year, should be taken into account. At the same time, inflation expectations of the population and enterprises of Kyrgyzstan will make a moderate contribution to inflation.

At the end of 2026, the annual inflation rate is expected to be within the medium-term target range. 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, moderate inflationary expectations of the economic agents.

2025-2026 Balance of Payments Forecast¹.

Forecast horizon for 2025 is based on the data of the actual period and specified initial development conditions of the countries - trading partners of the Kyrgyz Republic. At the same time, the heightened uncertainty in the external sector is has been continuing.

According to the baseline scenario, in 2025, the current account of the balance of payments will remain in the negative zone (at (-) 28.4 percent to GDP). The deficit will expand compared to 2024 due to sustainable high level of consumption of goods and services, a slight increase in investment income payments to the direct foreign investors and a reduction in the balance of the secondary income.

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

As before, expected terms of trade in the region, the world prices for food and energy resources, as well as gold exports by the Kyrgyz Republic were taken into account for exports and imports forecasting.

In consonance with the forecast trajectory for 2025, export of goods is expected by 31.6 percent below the level of 2024 (high base in 2024 was provided by accelerated growth in export of non-monetary

¹ The forecast was based on actual period data including supplementary estimates of the National Bank of the Kyrgyz Republic.

gold by 2.5 times in Q4 2024). Projected imports will remain rather high. Simultaneously, they are expected to go down (imports are forecasted to fall by 2.8 percent compared to 2024). Consumer goods, intermediate goods and energy products will have the largest share in the structure of imports.

The forecast of the balance of secondary income was revised towards a slight improvement compared to the previous forecast taking into account the data of the actual period and the analysis of macroeconomic conditions in the countries – recipients of labor migrants. According to the updated forecast, the growth rate of secondary income is expected to move to a less negative zone at the expense of a decrease in inflows on “workers’ remittances” item by 1.7 percent and a reduction in inflows to the general government sector by 64.4 percent against the previous year’s indicator. At the same time, the services balance will develop negative being influenced by excess of import of services over export thereof. Generally, “transport services” and “other services” will be the main drivers for import of services.

The expected current account deficit will be compensated by a significant coverage from the financial account. Traditionally, other investment and direct foreign investment are expected as priority sources of financial capital inflows.

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

In 2026, deficit of the current account balance will be formed at 24.0 percent to GDP under the influence of a combination of factors associated with improvement of the passive trade balance and the negative balance of primary income, as well as the expected surplus of the balance of services.

According to the National Bank’s estimates, an increase in exports by 6.6 percent and a decrease in imports by 0.9 percent will slightly improve the trade balance deficit (by 4.2 percent compared to 2025). The volume of inflows of “workers’ remittances” in secondary income balance is expected to go down by 1.3 percent compare to 2025.

At the same time, it should be noted that in 2026 the risk of scanty inflow of foreign capital on the financial account still remains, which may require additional financing by the National Bank’s international reserves. A significant part of capital inflows is expected to be provided through other investments in private sector and direct foreign investment.

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;
- slowdown in the world economic growth amid escalation of tariff wars;
- volatility of exchange rate of the main trading partner countries;
- growing of the private sector’s debt burden.

Annex 1. Key Macroeconomic Indicators

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

Indicator	Unit of measure	2022				2023				2024				2025
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
1. Demand and supply ¹ <i>(real growth rates, if otherwise is not indicated)</i>														
Nominal GDP, per quarter	mln. KGS	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	329 126,5
GDP	%	3,4	8,3	8,2	13,2	8,1	4,9	7,4	13,7	10,0	7,6	12,2	6,7	13,1
Domestic consumption	%	17,5	7,8	13,3	19,3	17,6	38,3	5,0	9,5	18,0	6,4	7,6	15,5	
Investment	%	-9,9	249,0	68,4	10,9	60,0	-22,5	31,2	45,4	14,3	23,0	-34,3	-8,3	
Net export	%	39,3	384,7	84,2	28,5	130,6	95,8	71,0	59,2	45,3	-7,8	-59,2	-22,3	
GDP production:														
Agriculture	%	1,5	3,9	8,0	10,8	5,9	-0,8	-1,2	3,5	2,1	6,9	7,7	4,8	2,5
Industry	%	8,2	22,8	20,2	1,8	10,9	-5,2	1,6	12,3	4,7	-1,6	9,2	8,6	16,0
Construction	%	-1,4	5,2	-1,0	19,1	2,2	16,4	19,0	30,4	51,1	38,3	25,8	3,8	69,0
Services	%	1,8	4,6	3,7	8,9	4,8	3,4	4,4	5,2	5,2	3,8	7,0	7,7	5,8
including trade	%	2,7	5,3	6,9	10,5	5,8	6,0	8,0	10,3	8,7	7,6	13,0	7,9	8,7
2. Prices ²														
CPI	%	111,7	113,8	115,0	115,0	114,7	110,8	109,8	108,2	105,4	104,8	104,3	105,6	106,9
CPI, in annual terms as of the end of period	%	113,2	113,1	115,5	114,7	112,7	110,5	109,6	107,3	105,2	104,5	104,9	106,3	106,9
Core inflation	%	111,8	114,4	117,4	118,0	115,6	111,8	109,3	108,0	106,2	105,3	105,3	105,9	106,1
CPI by main groups of goods and services:														
Food products	%	113,5	116,6	117,9	116,7	115,9	108,0	106,1	104,3	101,1	101,0	100,8	104,0	107,1
Non-food products	%	110,3	111,2	110,9	111,8	121,9	120,5	117,9	113,1	109,8	109,5	109,8	111,0	111,0
Alcohol drinks and tobacco products	%	113,6	114,9	117,8	122,5	112,9	112,7	114,4	113,1	110,0	108,5	106,5	105,0	104,8
Services	%	107,9	109,0	111,1	111,0	109,9	111,2	109,6	109,3	109,1	107,7	107,8	108,2	107,0
CPI, classified by character:														
Excisable goods	%	118,8	117,5	117,9	120,3	117,9	116,0	114,9	111,9	109,8	110,3	109,9	110,0	109,8
Regulated prices	%	110,9	111,9	112,2	107,0	103,1	108,1	112,1	113,8	116,9	114,8	113,3	112,7	109,1
Market inflation rate (the rest of CPI)	%	107,4	109,1	110,4	112,6	114,5	114,1	113,4	111,6	108,2	106,5	105,5	104,9	105,1
3. External sector ³ <i>(in percent to GDP)</i>														
Trade balance	% to GDP	-34,4	-45,9	-56,5	-56,6	-56,9	-58,2	-55,1	-54,7	-58,5	-57,5	-47,9	-37,0	-32,8
Current transaction account	% to GDP	-18,2	-32,1	-43,1	-42,1	-42,3	-44,6	-44,7	-45,0	-49,6	-47,3	-35,5	-25,2	-19,9
Export of goods and services	% to GDP	34,7	28,2	26,6	29,7	31,1	32,4	34,5	36,4	37,1	39,4	44,0	46,9	45,2
Import of goods and services	% to GDP	71,5	76,1	84,8	87,2	88,5	92,4	92,6	95,4	100,9	100,5	93,7	84,5	78,0
4. USD exchange rate, as of the end of period														
	KGS	83,3090	79,5000	80,1829	85,6800	87,4200	87,2267	88,7100	89,0853	89,4708	86,4454	84,2000	87,0000	86,4000
5. Monetary sector <i>(real growth rates, if otherwise is not indicated)</i>														
NBKR policy rate, as of the end of period	%	14,00	14,00	14,00	13,00	13,00	13,00	13,00	13,00	13,00	9,00	9,00	9,00	9,00
Rate of "overnight" deposit, as of the end of period	%	12,00	12,00	12,00	10,00	10,00	11,00	11,00	11,00	11,00	5,00	4,00	4,00	4,00
Rate of "overnight" credit, as of the end of period	%	16,00	16,00	16,00	15,00	15,00	15,00	15,00	15,00	15,00	11,00	11,00	11,00	11,00
Average interest rates of operations in the interbank credit market, per quarter	%	8,85	14,66	13,00	11,99	10,52	11,29	11,64	12,11	11,71	9,12	5,22	4,07	4,08
of which:														
of REPO transactions	%	8,85	14,66	13,00	11,99	10,52	11,29	11,64	12,11	11,71	9,12	5,22	4,07	4,08
of credits in national currency	%	-	-	-	-	-	-	-	-	-	-	-	-	-
of credits in foreign currency	%	-	-	-	-	-	-	-	-	-	-	-	-	-
Weighted average yield of 7-day notes, as of the end of period	%	11,86	13,11	12,82	11,41	10,35	11,57	11,86	11,95	11,95	5,91	3,44	3,43	3,43
Weighted average yield of 14-day notes, as of the end of period	%	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	%	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	%	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	%	8,8	19,8	31,7	44,9	38,8	22,5	10,8	9,9	13,7	19,1	19,2	17,5	17,7
Money outside banks (M0)	%	5,7	20,5	27,5	41,3	32,5	16,0	4,0	1,3	7,8	12,7	19,1	15,2	20,7
Monetary aggregate (M1)	%	7,4	23,1	27,3	36,1	41,2	22,7	16,4	10,2	19,0	27,8	28,2	30,9	50,9
Narrow money supply (M2)	%	8,6	20,8	25,3	32,5	36,5	21,6	16,2	11,4	20,3	27,7	28,6	31,0	47,8
Money supply (M2X)	%	9,5	18,6	27,5	30,6	40,0	29,4	18,7	15,0	22,4	26,0	30,6	31,9	39,9

^{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 Republic^{2/} Source: National Statistics Committee of the Kyrgyz Republic^{3/} Coefficients were calculated on the basis of the sliding annual data for the last 4 quarters. Data for Q1 2025 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.

Financial account is a balancing item, which is designed to ensure the general equilibrium of the balance of payments, especially the current account. It reflects transactions between residents and non-residents related to purchase of financial assets and incurrence of liabilities. It consists of functional categories including direct investment, portfolio investment, other investment and reserve assets.

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
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)
GDP	Gross Domestic Product
GS	Government Securities
IA	Information Agency
IBCM	Interbank Credit Market
IMF	International Monetary Fund
KR	Kyrgyz Republic
KSE CJSC	Kyrgyz Stock Exchange CJSC
MFKR	Ministry of Finance of the Kyrgyz Republic
MP	Monetary Policy
National Bank	National Bank of the Kyrgyz Republic
NSC KR	National Statistical Committee of the Kyrgyz Republic
OPEC +	Organization for Petroleum Exporting Countries
POL	Petroleum, oil, lubricants
RF	Russian Federation
ST-Bills	State Treasury Bills
ST-Bonds	State Treasury Bonds
USA	United States of America
WB	World Bank