KYRGYZ BANK

MONETARY POLICY REPORT

Q1 2026

Bishkek
May 2026

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

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[1].

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

Quantitative benchmark of the monetary policy is to keep inflation rate within 5-7 percent in the medium term.

The policy rate of the National Bank is the main instrument of the monetary policy used to achieve price stability in the country.

Regulation of the policy rate influences the short-term rates of the interbank money market, acting as a benchmark for the cost of funds, and affects the volume of aggregate demand and supply in the economy. By changing the policy rate, the National Bank gives signal to the market about tightening or easing of monetary conditions. Decisions on the policy rate are made taking into account comprehensive analysis of economic conditions in the country, assessment of external economic conditions and inflation forecasts 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.

Communication policy is among the main instruments of the monetary policy conducted by the National Bank. 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.

Monetary Policy Report for Q1 2026 was approved by the Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2026-П-07/31-1-(ДКП) dated May 25, 2026.

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[1] Approved by the Resolution of the Board of the National Bank of the Kyrgyz Republic on December 13, 2017 (published on the website of the National Bank in the section “Functions of the Bank”).

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SUMMARY

In Q1 2026, the world economy was affected by escalated geopolitical factors, primarily due to the Middle East conflict, which conditioned restrictions in the logistics of goods, high volatility and growth of prices in the commodity and financial markets.

Nevertheless, the world economy maintained positive growth; in particular, the economies of the USA, China and the eurozone were supported by domestic demand, expansion in the state fiscal policy and investment activity. In the EAEU countries, the dynamics remained multidirectional: there was stable economic growth in Kazakhstan, while Russia demonstrated decline in economic activity. At the same time, other countries in the region, such as Uzbekistan and Tajikistan, showed strong economic growth.

At the end of 2025, prices in the world food markets decreased, however, during Q1 2026, they remained highly volatile due to the geopolitical situation worldwide. There was gradual rise in prices for gold, which remained an attractive asset for investment. There was price upsurge in the world oil market amid the Middle East conflict. In February 2026, the world prices for the main types of food products demonstrated upward trend amid growth in prices for energy carriers and disruptions due to the actual closure of the Strait of Hormuz.

Inflationary risks remained high worldwide, including the main trading partner countries of the Kyrgyz Republic. A number of central banks implemented relatively tight monetary policy.

The economy of Kyrgyz Republic maintained high growth rates, facilitated by expansion of domestic demand and investment activity. In Q1 2026, real GDP growth amounted to 10.1 percent. The main contribution to this growth was provided by the construction sector, industry and the services sector. Growth in real incomes of the population resulted in strengthening of consumer demand.

In Q1 2026, a significant decline in exports shaped the trade balance; imports also showed negative dynamics, however to a much lesser extent. As a result, the trade balance deficit amounted to USD 2,217.1 million, exceeding the same indicator for Q1 2025 by 1.3 percent. Meanwhile, trade turnover decreased by 3.7 percent and amounted to USD 3,182.9 million.

During Q1 2026, the effect of external factors determined inflation dynamics in the Kyrgyz Republic. External price pressure was conditioned by geopolitical and geoeconomic uncertainty, changes in logistics chains and price volatility in the world commodity markets, as well as inflationary processes in the trading partner countries. As before, internal factors, such as increase in electricity and heating tariffs, fiscalization of procedures in the hotel and restaurant sector, and expansion of domestic demand had a relatively moderate impact on inflation. As of the end of March 2026, the annual inflation rate in the Kyrgyz Republic stood at 11.0 percent.

Since the beginning of 2026, monetary conditions remained tight to ensure price stability within the target range over the medium term. At the end of February of the current year, the policy rate was increased to 12.00 percent in response to ongoing challenges. These measures are accompanied by active liquidity management in the banking sector to limit the monetary contribution to inflation. The situation in the interbank money market remained stable. The banking sector continued to operate amid excess liquidity, a significant share of which was concentrated in the six largest commercial banks.

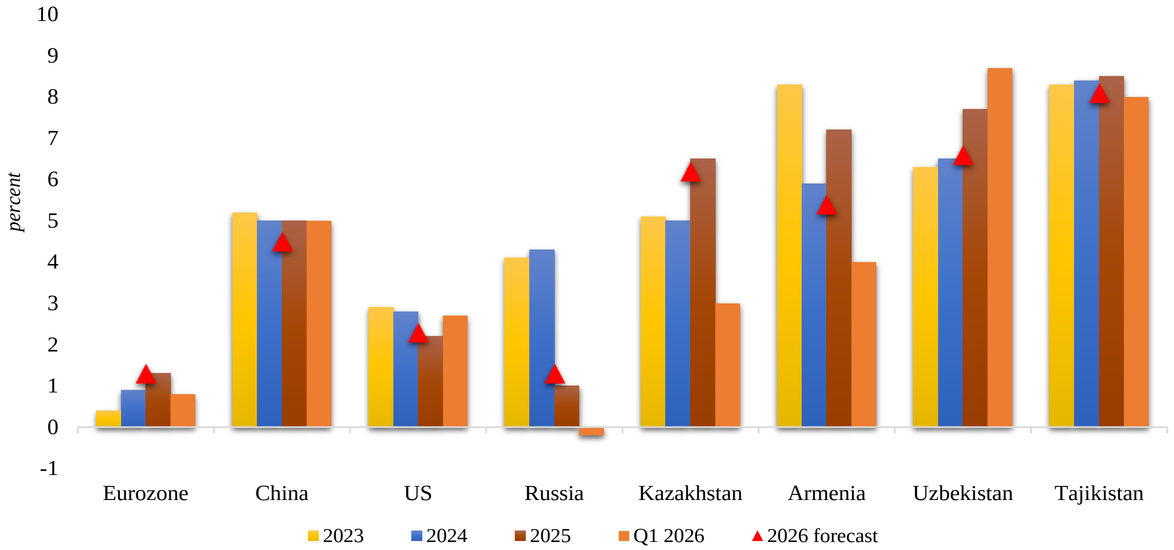
Chapter 1. External Environment

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

In Q1 2026, generally, the world economy demonstrated moderately positive development, however, there were signs of slowdown in economic growth in certain regions and countries amid escalation of geopolitical tensions.

There was slowdown of consumer activity in the world's largest economies amid inflationary pressure, despite support from investment and the public sector. Dynamics in the EAEU countries remained multidirectional, while the neighboring countries such as Uzbekistan and Tajikistan showed persistently high economic growth being supported by domestic demand and investment.

Chart 1.1.1. Dynamics of Real GDP by Countries
(annual growth rate)



At the end of Q1 2026, the **US** economy showed moderately positive development amid a number of existing domestic and external macroeconomic challenges. Government expenditures and investment activity, including in the high-tech sectors, made the main contribution to economic growth by 2.6 percent, while consumer demand, traditionally being a key driver of the US economy, demonstrated slight slowdown. Growth of households' expenditures was more moderate, reflecting gradual depletion of accumulated savings and an increase in pressure from price movement.

The US labor market remained relatively stable, despite the signs of gradual decline. The unemployment rate remained close to 4.0 percent, being in line with historically moderate levels, and employment growth was positive, however there was slowdown compared to the previous periods. Wage growth remained stable and provided stable support to consumer demand; however, in real terms, it was partially offset by inflationary pressure, which restrained further expansion in consumption.

Since early 2026, the Government of **China** focused on implementation of the new economic program for the 15th five-year plan (2026–2030), which sets GDP growth target of 4.5-5.0 percent. In Q1 2026, economy of China demonstrated strong start and grew by 5.0 percent in annual terms. This indicator exceeded market expectations and became the fastest growth rate during the last three quarters. The main driver of the recovery was the industrial sector, where manufacturing production output rose by 6.4 percent, particularly in high-tech spheres: production of 3D printers (+54.0 percent), lithium-ion batteries (+40.8 percent) and industrial robots (+33.2 percent).

Moreover, China's foreign trade provided significant support: exports increased by 11.9 percent to offset volatility in the global markets. However, domestic economic dynamics remained multidirectional. Retail sales of consumer goods showed poor growth (+2.4 percent), meanwhile there was stable decline in the real estate sector ((-)11.2 percent), which restrained consumer confidence and overall domestic demand.

To maintain stability, the Chinese authorities conducted active fiscal policy, including issuing ultra-long-term special bonds. Despite a positive start of the year risks associated with rising global energy prices and a possible decline in external demand in the second half of the year remain.

In turn, in Q1 2026, the **eurozone** economic growth remained moderate. According to the preliminary data, in Q1, GDP growth in the eurozone amounted to 0.8 percent (quarter to the corresponding quarter of the previous year). Domestic demand remained the main driver of growth, being supported by a stable labor market. High level of household financial stability and ongoing investment in digital transformation and public infrastructure (including the defense sector) provided some protection against the effects of the Middle East conflict. Despite historically low unemployment rates, there was a slowdown in demand for labor force. Inflationary pressure from prices for energy carriers remained the main risk to private consumption, which could potentially limit real incomes of the population in the short term.

The eurozone future prospects will depend directly on the duration of geopolitical turbulence and its impact on the global commodity markets. In these circumstances, support of investment activity in the high-tech sectors and ensuring the region's energy security were the priority areas to minimize external shocks.

In its April report, the IMF decreased its economic growth forecasts for 2026 in the USA and the eurozone down to 2.3 percent and 1.1 percent (in January, the forecasts were 2.4 percent and 1.4 percent, respectively). The revision was conditioned by persistently high inflation, geopolitical tensions and general slowdown in business activity.

In Q1 2026, there was acceleration of economic activity in **Uzbekistan** (+8.7 percent) due to domestic demand and inflow of investment, including foreign direct investment. In **Tajikistan**, economic growth also remained high (+8.0 percent), being provided by development of agriculture, capital investment and an increase in production output.

At the same time, **Russia** demonstrated negative economic growth during the reporting period (the economy contracted by 0.2 percent in annual terms) due to a combination of calendar factors, tax changes, weather conditions and tight monetary policy. However, in **Kazakhstan**, according to the preliminary data, GDP growth amounted to 3.0 percent in Q1 2026. Non-oil sectors, primarily construction, transport, manufacturing and trade contributed to this economic growth.

In the medium term, economic growth in the EAEU countries, as well as in Tajikistan and Uzbekistan, will be largely determined by external price conditions and government investment activity amid gradual strengthening of the role of domestic demand.

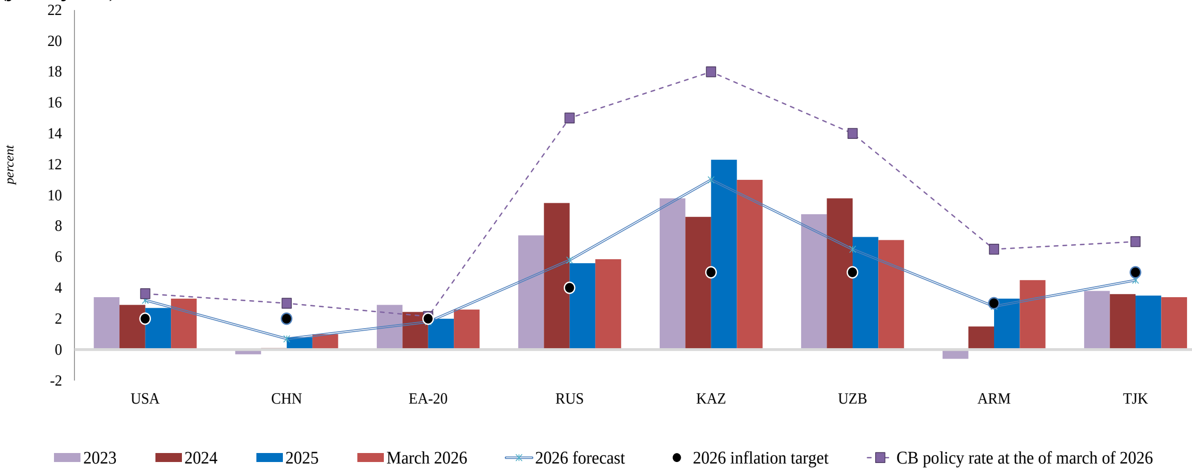
Inflationary Environment in the External Conditions

In Q1 2026, inflationary processes in the world economy remained multidirectional. As before, major economies demonstrated elevated inflationary pressure conditioned by rise in prices for energy carriers, geopolitical factors, and sustainability of the services sector, which required maintenance of a restrictive monetary policy.

In the EAEU countries and other trading partners of the Kyrgyz Republic, inflation was driven by domestic factors and external price conditions, while monetary policy remained predominantly tight.

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: national statistical committees, central banks and international organizations

In March 2025, the annual inflation rate of **the USA** stood at 3.3 percent, significantly exceeding the US FRS target of 2.0 percent, to reflect stability of inflationary pressure, particularly in the services sector. Upsurge in prices for energy carriers, the impact of geopolitical risks, and persistent pressure from the labor market were the main factors for acceleration in inflation. Under these conditions, monetary policy remained restrictive, and the regulator's rhetoric was cautious, emphasizing the need to maintain tight financial conditions for a longer period.

Meanwhile, in March, the inflation rate in **the eurozone** showed acceleration by 2.6 percent in annual terms. This growth of prices was mainly conditioned by rise in prices for energy carriers due to the Middle East conflict. There was significant increase in inflation expectations. Rise in prices for energy carriers in the short term is expected to keep the inflation rate well above the target of 2.0 percent. Persistently high prices for energy carriers are expected to put increasing inflationary pressure on the economy as a whole due to emergence and intensification of indirect and secondary effects.

In contrast to developed economies, in Q1 2026, the inflation rate in **China** showed moderate growth by 1.0 percent in annual terms. However, in February, the inflation rate rose to its highest level in three years of 1.3 percent. Price dynamics were influenced by external factors, including rising energy prices and rising costs, as well as internal factors, such as seasonal increases in demand, which helped the economy emerge from deflation and stabilize domestic consumption.

Monetary conditions in **the Russian Federation** remained relatively tight. During the quarter, prices for services, as well as tax and tariff factors, influenced price growth. At the end of March 2026, the inflation rate in Russia decreased down to 5.9 percent. At the end of March 2026, the Bank of Russia forecasted the inflation rate in 2026 at 4.5-5.5 percent. The Bank of Russia is expected to continue conducting restrictive monetary policy during 2026.

The economy of **Kazakhstan** demonstrated tight monetary conditions**.** However, in March, inflation slowed down and stood at 11.0 percent in annual terms. Tight monetary conditions, positive exchange rate dynamics, stabilization of consumer demand, and moratorium on increase in prices for housing and public utility services, as well as for petroleum, oil and lubricants contributed to inflation slowdown. However, pro-inflationary risks intensified due to escalation of the Middle East conflict, increase in inflation expectations, and resumption of rise in prices for housing and public utility services, as well as for petroleum, oil and lubricants upon lifting of moratorium.

In **Uzbekistan**, the annual inflation rate was 7.1 percent in March, while in **Tajikistan** inflation slowed down to 3.4 percent year-on-year, accompanied by easing of monetary conditions.

1.2. World Commodity Markets

During the reporting period, price movement in the world commodity markets was primarily conditioned by the Middle East conflict.

Energy Market

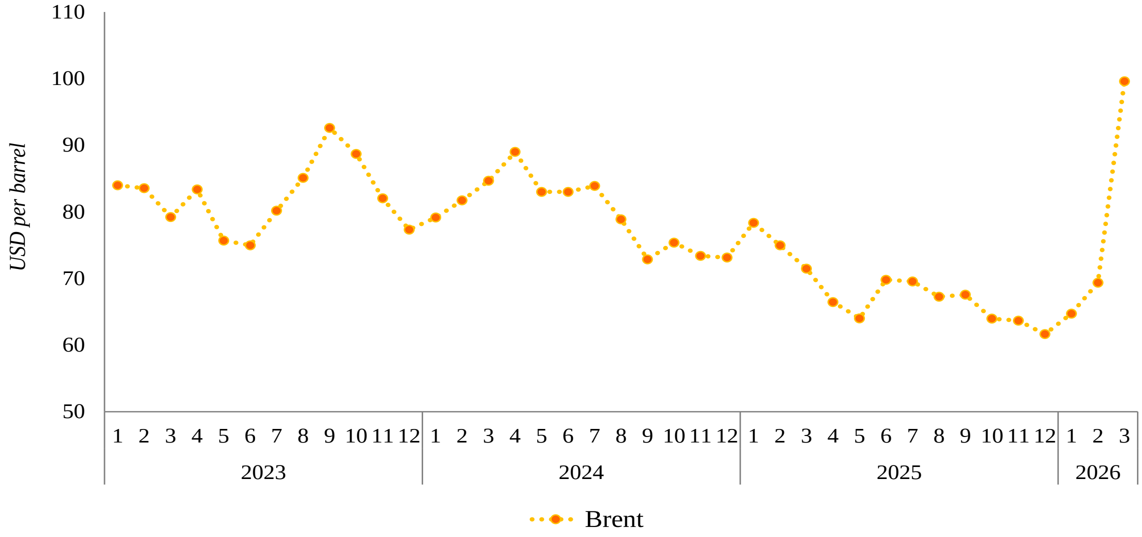
In Q1 2026, the global oil market was characterized by high volatility in oil prices due to escalation of the situation in the Strait of Hormuz. The geopolitical shock had a significant impact on Brent prices: since the beginning of Q1, the price at its peak reached USD 118.4 per barrel. In Q1, the average price was USD 78.4 per barrel (in March – USD 99.6). As a result, many international analysts have revised their forecasts upwards. The median value of IA Bloomberg consensus forecast for Brent price in 2026 amounts to USD 79.0 per barrel.

The international analysts forecast that in the event of long-lasting and large-scale disruptions in the Strait of Hormuz, there can be the risks of oil supply shortage in the world market, as alternative supply routes, release of the strategic reserves by the importing countries and increase in production output by OPEC+ countries may prove insufficient in the short term to compensate for the volumes previously passing through the Strait of Hormuz.

In Q1, there was rise in Urals prices in the Russian Federation amid escalating tensions in the Strait of Hormuz. Rise in Urals prices was conditioned by increased demand for Russian oil from the market participants amid risks of supply disruptions through the Strait of Hormuz. Increased price pressure in the petroleum, oil and lubricants market of Kyrgyzstan is conditioned by the situation in the Russian petroleum products market. In March, the average price for petroleum, oil and lubricants was KGS 77.9 per liter, while, in February, the average price for petroleum products was KGS 77.4.

Chart 1.2.1. Dynamics of Brent Price

(in USD per barrel)



Source: IA Bloomberg

Food Market

During Q1 2026, the FAO Food Price Index demonstrated multidirectional dynamics. In January 2026, the index stood at 123.9 points, demonstrating stable decline seen in previous months; however, in February, the figure grew up to 125.3 points, breaking a five-month downward trend. In March 2026, the index rose up to 128.5 points, marking the second consecutive month of growth.

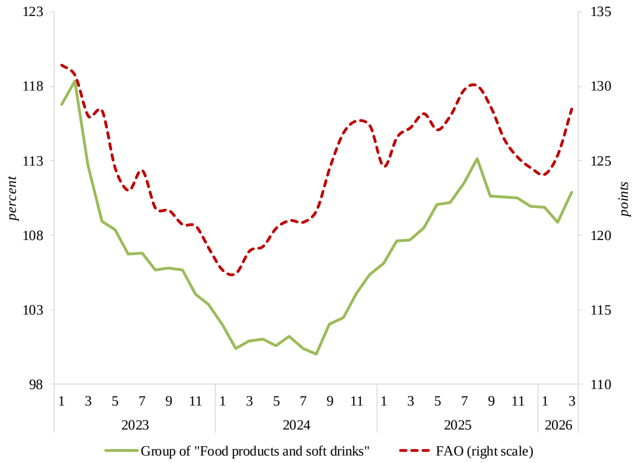
At the end of the quarter, rise in the index was conditioned by growth of prices across all commodity groups: cereals, meat, dairy products, vegetable oils and sugar. Rise in energy prices was a significant factor, which resulted in growth of costs for food production and transportation. At the same time, generally, the world cereals markets remained well-supplied due to high stock levels and favorable production forecasts, which restrained price upsurge.

In Q1 2026, prices for vegetable oils showed the highest growth among commodity groups. Stable rise in prices for vegetable oils was conditioned by growth of quotations for palm, soya, sunflower and rapeseed oils due to increase in prices for energy carriers and limited supply amid surge in demand. Prices for meat also remained high due to steady demand and the situation in the energy markets. Rise in prices for sugar was mainly conditioned by an increase in prices for crude oil, while favorable forecast for supply worldwide had dampening effect on prices. There was gradual recovery in prices for dairy products following a decline in the previous periods.

External price environment continued to exert significant influence on the domestic market of the Kyrgyz Republic under the conditions of high dependence on imports. At the end of the quarter, growth of the world prices created conditions for increase in inflationary pressure and further pass-through of external price fluctuations to the domestic consumer prices.

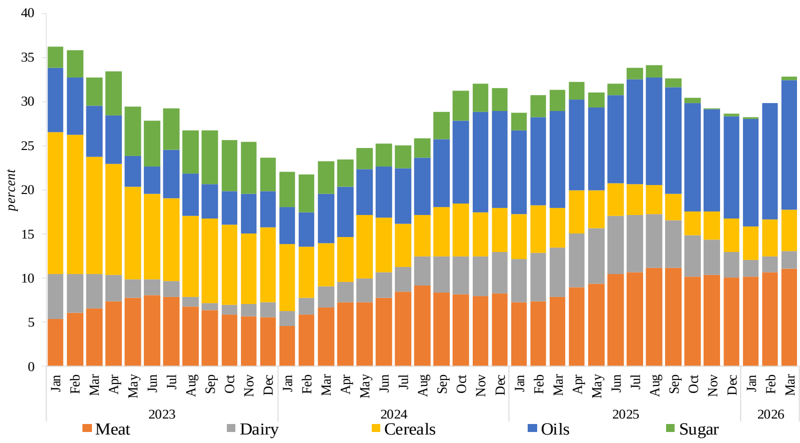
Chart 1.2.2. Dynamics of FAO Food Price Index and Prices for Food Products in the Kyrgyz Republic

(month to the corresponding month of the previous year)



Source: NSC KR, FAO

Chart 1.2.3. Structure of FAO Index



Source: FAO, National Bank's calculations

Gold Market

In Q1 2026, the world gold market showed moderately stable dynamics amid persistent macroeconomic uncertainty and geopolitical risks. Prices were characterized by high volatility: at the beginning of the quarter, prices reached historical highs, followed by subsequent adjustment. In general, gold has delivered a positive return of 8.1 percent year-to-date.

Geopolitical tensions, persistent inflation expectations and uncertainty regarding the monetary policy trajectory of the major central banks were the key supporting factors. Under these conditions, gold retained its role as a defensive asset.

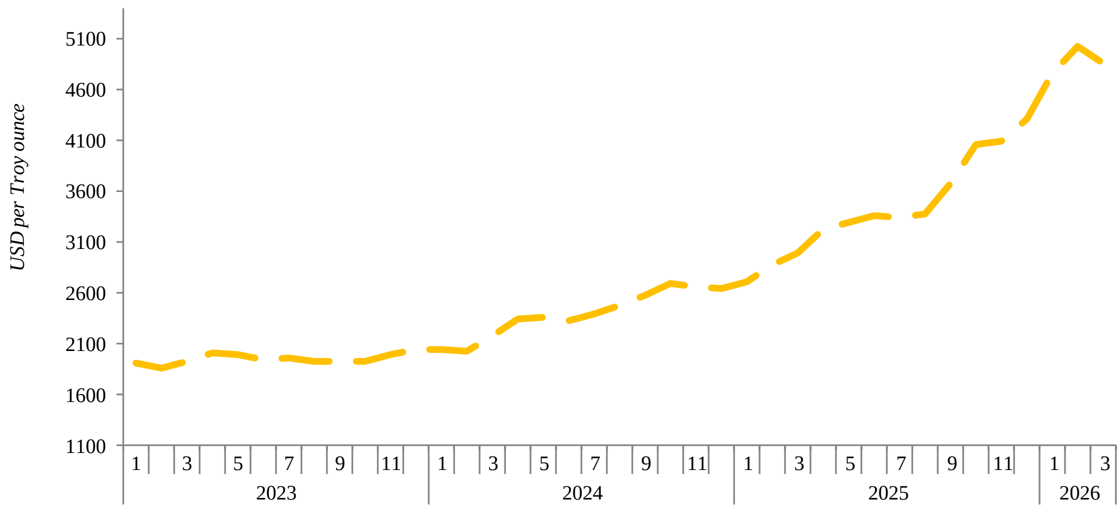
The overall demand amounted to approximately 1,231 tons (+2.0 percent in annual terms), while the value reached the highest ever amount of USD 193 billion due to rise in prices. The structure of demand shifted towards the physical investment segment: demand for bars and coins increased up to 474 tons (+42.0 percent in annual terms). Inflows into gold-backed ETFs were stable, however there was slowdown compared to high level in Q1 2025. Demand for jewelry fell (-23.0 percent in annual terms) amid high prices, despite an increase in expenditures (+31.0 percent in annual terms).

In Q1, the central banks purchased 244 tons of gold (+3 percent in annual terms) notwithstanding a marked increase in sales activity during the quarter. Meanwhile, demand for gold used in technologies rose by 1.0 percent, up to 82 tones, primarily due to sustainable development of the artificial intelligence infrastructure.

Key trends are expected to persist in the future, including strong demand from the official sector and stable interest in physical gold, while the dynamics of consumer demand will largely depend on price environment and macroeconomic conditions.

In 2026, Bloomberg forecasts the average world price for gold at USD 4,383.0 per Troy ounce. Within the framework of the baseline scenario, the major financial institutions expect prices to remain elevated with a possible rise in the range of USD 5,000 – USD 5,400 per ounce during 2026.

Chart 1.2.4. Dynamics of Gold Prices



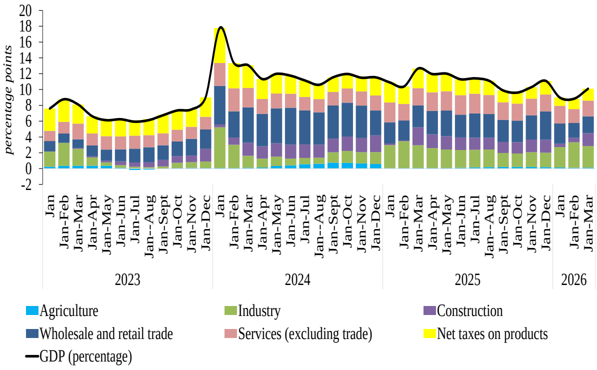
Source: IA Bloomberg

Chapter 2. Macroeconomic Development

2.1. Demand and Supply in the Commodities and Services Market

Chart 2.1.1. Input of Main Sectors to GDP Growth

(period to period)



Sources: NSC KR

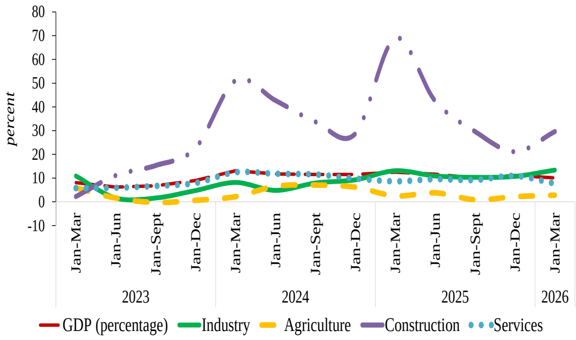
At the end of Q1 2026, the economy of the Kyrgyz Republic continued to demonstrate relatively high growth rates (+10.1 percent). These positive dynamics are conditioned by growth of the previous periods and expansion in consumer and investment activity supporting business activity.

The structure of GDP growth indicates that the sectors of services, construction and industry continue to play a dominant role: their combined contribution to this indicator stood at 8.5 p.p. In turn, an increase in the state tax revenues resulted in contribution from net taxes on products at 1.5 p.p. The sectoral distribution of growth rates is as follows: the construction sector showed the most dynamic growth by 29.6 percent, the industrial sector – by 13.4 percent, and the services sector – by 7.7 percent.

At the end of the reporting period, capital investment dynamics in the country showed a significant increase by 25.5 percent. This indicator was a driving factor for development of the construction sector.

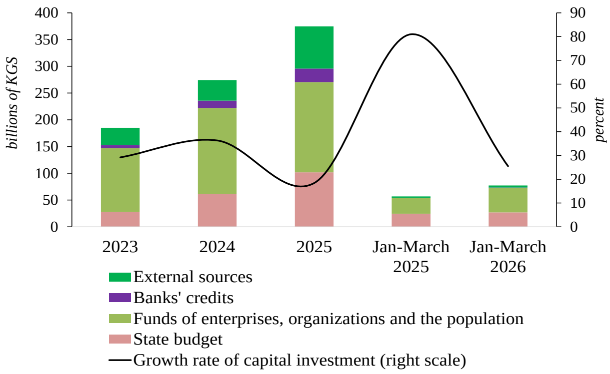
Chart 2.1.2. Growth Rates of Economic Sectors

(period to period)



Sources: NSC KR

Chart 2.1.3. Capital Investments by Sources of Financing



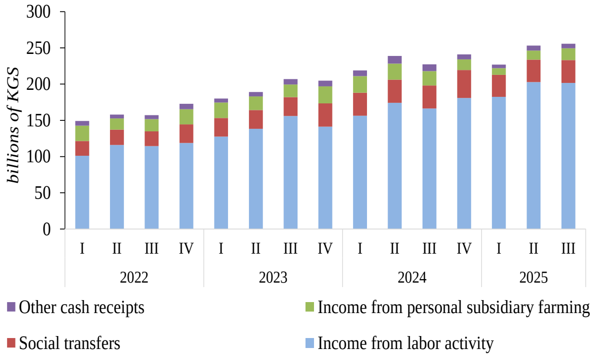
Sources: NSC KR

Stable growth in domestic is supported by an increase in real incomes of the population during the past few years. This positive trend is conditioned by an overall rise in wages – in the public sector, supported by fiscal policy measures, as well as in the private sectors. An increase in availability of consumer credits was an additional factor strengthening population solvency.

Statistical indicators confirm acceleration of these processes: at the end of January-March 2026, real wages demonstrated growth by 5.2 percent, while consumer credits rose by 16.6 percent.

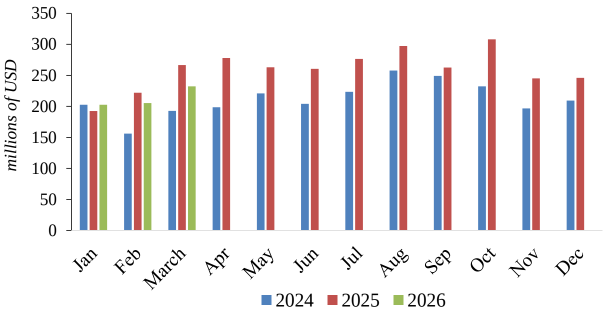
This combination of factors provides the basis for further increase of consumer activity in the economy.

Chart 2.1.4. Population Incomes



Sources: NSC KR

Chart 2.1.5. Net Inflow of Individuals' Remittances



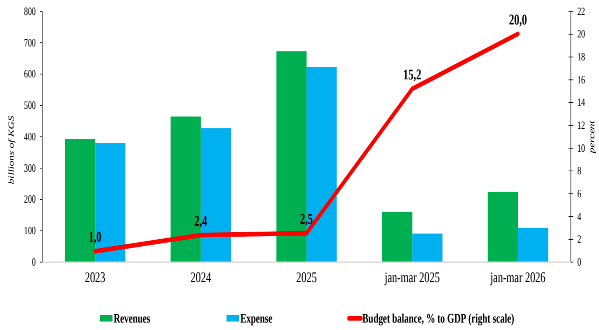
Source: National Bank

Furthermore, there was steady downward trend in unemployment of the country. This process is conditioned by active creation of new jobs and involvement of workforce into economic activity. Implementation of major infrastructure initiatives was the main driver of employment growth. Intensive development of capital projects contributed to decrease of pressure in the labor market and ensured stable demand for the specialists with various qualifications.

Increased economic activity and growing demand for goods and services may provide conditions for increased inflationary pressure in the country in the near future.

Public Finances Sector

Chart 2.1.6. Execution of the State Budget
(period to the corresponding period of the previous year)



Source: CT MFKR

At the end of Q1 2026, the state budget was executed with a surplus of 20.0 percent to GDP. Strong economic activity and improved tax administration conditioned growth in revenues by 39.8 percent compared to the same period of the last year, up to KGS 224.6 billion.

Revenues from income tax, value added tax, and non-tax revenue from transfer of the National Bank's profit for 2025 were the main drivers of an increase in budget revenues.

Meanwhile, expenditures for operating activity rose by 19.4 percent and amounted to KGS 109.1 billion. Public officers' remuneration and transfers to the Stabilization Fund of the Kyrgyz Republic have the largest share in the structure of expenditures.

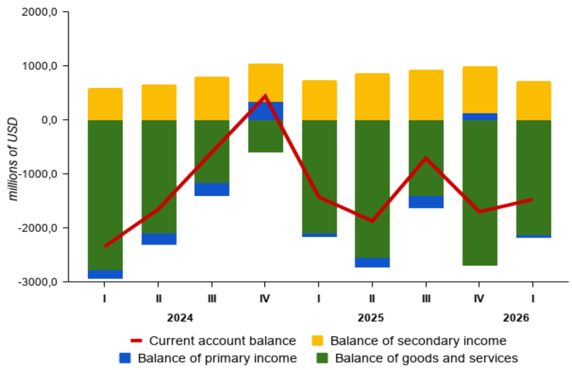
External debt continues to dominate in the structure of public debt. However, as of the end of March 2026, it decreased by 1.9 percent compared to the beginning of the year. At the same time, the volume of domestic debt increased by 27.4 percent, to make KGS 398.1 billion.

2.2. External Sector [1]

In Q1 2026, widening of the trade balance deficit, as well as a decline in the surplus of the balance of services and secondary income, were the main factors affecting the current account 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 and estimated data of the National Bank, in Q1 2026, the negative balance of the current account amounted to USD 1,469.8 million or 24.3 percent to GDP[1].

In the observed period, the widening of the trade balance deficit by 1.3 percent to USD 2,217.1 million was primarily explained by a diminution in export activity and the dominance of imports in total trade turnover.

During the reporting period, the dynamics of exports of goods (at FOB prices) slowed down by 13.5 percent compared to the base period, falling to USD 482.9 million. Exports excluding gold diminished by 7.5 percent and amounted to USD 466.7 million. Thus, a significant decline in gold exports compared to Q1 2025 was the determining factor in weakening of total exports of goods. In addition, the commodity structure of exports showed a negative trend in the supplies of vegetables, fruits and nuts, motor gasoline, articles of asbestos-cement and fibre-cement, as well as live animals. At the same time, in the reporting period, exports were, to a considerable extent, supported by an increase in the supplies of ores and concentrates of precious and base metals, coal, parts and accessories of the motor vehicles, articles of plastics for the conveyance or packing of goods, motor vehicles, essential oils, resinoids and perfume materials, as well as fuel oil.

Imports of goods (in FOB prices) wend down by 1.7 percent to USD 2,700.0 million. In terms of commodities, there was a decline in import of needles, furniture and parts of sewing-machines, fabrics, woven, of man-made textile materials, parts of agricultural machinery and motor vehicles not elsewhere specified, footwear, kerosene, gasoline, telephone sets, flour. At the same time, there was an increase in imports of motor vehicles, lifting, handling, loading or unloading machinery, agricultural machinery, structures of iron, steel or aluminium, gas oil, motor vehicles for the transport of goods and special-purpose motor vehicles, as well as cereals.

During the reporting period, imports of energy products showed an 8.5 percent rise and amounted to USD 393.1 million. Imports of electricity increased in value by 12.0 percent driven by growth in both physical volume and prices. Imports of natural gas rose by 10.4 percent, under the impact of the price factor. Gas oil inflows grew by 32.4 percent, also as a result of an increase in physical volume. As for motor gasoline, there was a 3.3 percent decrease in the value of imports amid a reduction in the physical volume of supplies.

The structure of the secondary income balance was primarily formed by inflows under the item "workers' remittances", which indicated a persistently high concentration and the significance of this component.

In Q1 2026, net inflows under the item "workers' remittances" decreased due to a 6.0 percent decline in the volume of individuals' cross-border remittances, while the negative balance of the general government sector widened by 24.9 percent.

According to expectations, the surplus of the balance of services will decrease slightly to USD 91.5 million from USD 94.8 million in the same period of 2025. At the same time, exports of services will decline insignificantly, while the volume of services received from non-residents will remain approximately at the level of the base period.

Primary income, according to the National Bank's estimates, will amount to USD (-) 62.8 million (deficit narrowed by 11.4 percent).

Financing on the capital account will decrease by 7.1 percent compared to Q1 2025, amounting to USD 22.7 million.

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

According to the National Bank's preliminary forecast, in Q1 2026, the financial account is expected to be driven primarily by an increase in private sector liabilities to non-residents in the form of other investments and foreign direct investment inflows.

Chapter 3. Monetary Policy

In Q1 2026, inflationary processes in the Kyrgyz Republic were significantly impacted by prevailing external conditions, including fluctuations in the world food and energy prices due to the outbreak of the conflict in the Middle East, as well as a relatively high inflation in the main trading partner countries, which collectively affected the cost of imported goods and services into the country.

Domestic conditions were characterized by persistently elevated domestic demand, supported by rising disposable incomes, as well as revisions to electricity and utility tariffs, as well as implementation of fiscalization procedures in the hospitality sector.

Under these circumstances, the National Bank's monetary policy was focused on restraining excessive price growth in the Kyrgyz Republic and minimizing the impact of external shocks. Ad before, the monetary policy priority consisted in limiting the inflation monetary factors through the use of instruments to manage the money supply in the economy.

The National Bank's monetary decisions were based on the results of a comprehensive macroeconomic analysis, model projections and scenario assessments, taking into account the state of domestic demand, liquidity dynamics in the banking system, financial market conditions and external economic factors.

During the reporting quarter, the National Bank maintained tight monetary policy stance. The National Bank's Board considered the issue of the policy rate twice – on January 26 and February 23. Following the February meeting, the policy rate was increase by 100 basis points – from 11.00 percent to 12.00 percent.

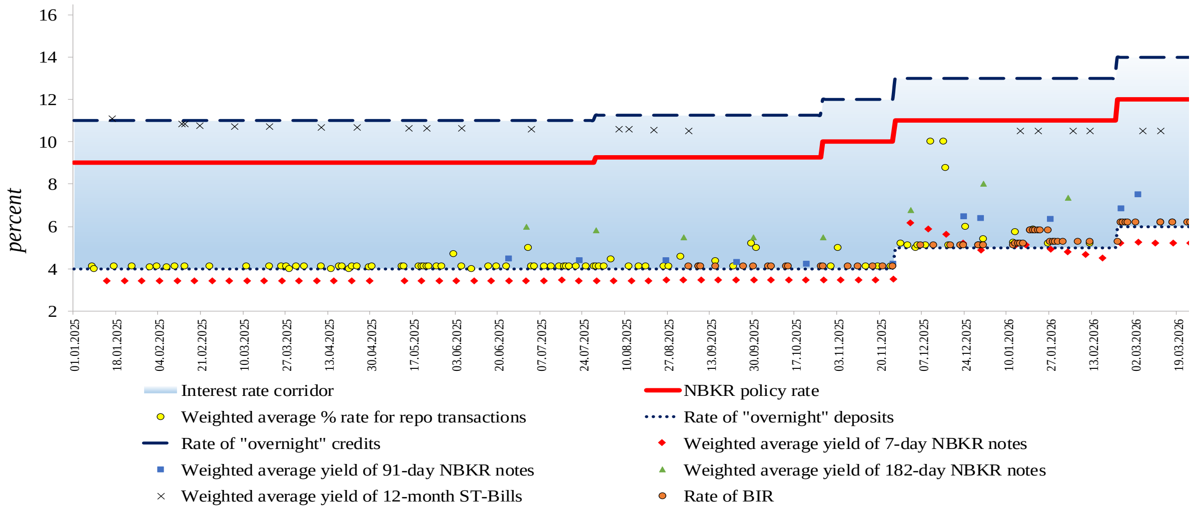
At the same time, the parameters of the interest rate corridor set by the National Bank were adjusted: the upper bound of the corridor – the rate on "overnight" credits – was raised from 13.00 to 14.00 percent; while the lower bound of the corridor – the rate on "overnight" deposits was increased from 5.00 to 6.00 percent. These decisions contributed to enhancing the attractiveness of the national currency-denominated savings instruments.

The implemented monetary policy and its coordination with fiscal policy measures made it possible to limit the spread of secondary effects from past inflationary pressures and to maintain control over price dynamics. As of late March 2026, the annual inflation rate stood 11.0 percent.

3.1. Dynamics of Short-Term Money Market Interest Rates

In Q1 2026, short-term interest rates in the interbank money market developed amid a persistently high level of excess liquidity in the banking system. The response of the market segments to changes in the interest rate conditions was heterogenous. Overall, there was stable trend of interest rates gradual adjustment towards the National Bank's policy rate.

Chart 3.1.1 Interest Rates of the Money Market

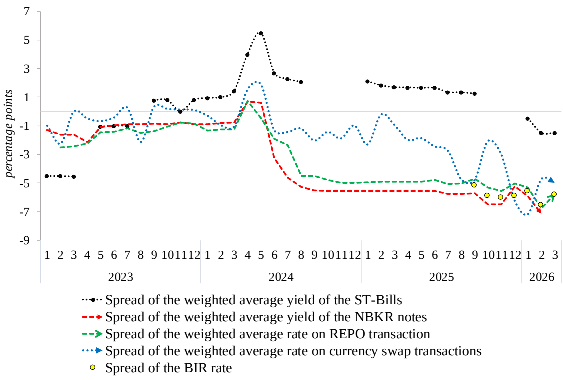


At the beginning of the quarter, there was a slight decline in the interest rates on the interbank credit market. In December 2025, the weighted average yield stood at 6.0 percent, however, it fell down to 5.7 percent and 5.2 percent in January and February, respectively. This dynamic were conditioned by a significant inflow of liquidity into the banking system to contribute to a temporary reduction in the cost of short-term resources.

In March, the situation changed: the weighted average interest rate in the interbank credit market increased up to 6.2 percent. Rise in rates reflected market participants' gradual adaptation to changed interest rate conditions, increased demand from certain banks for short-term liquidity in the national currency, and reallocation of available funds into the National Bank instruments with more attractive yields.

These changes were also reflected in the dynamics of the reference Bishkek Interbank Rate (BIR), which is calculated on the basis of 7-day REPO transactions in the national currency actually concluded between the commercial banks. The BIR rate increased from 5.2 percent in January to 6.2 percent in March 2026, signaling an increase in the cost of short-term liquidity in the national currency and the continued sensitivity of the money market to changing market conditions.

Chart 3.1.2. Spread between the Short-Term Rates of the Money Market and the Key Rate of the National Bank



In Q1 2026, the interest rate dynamics in the REPO market were heterogeneous, depending on both the liquidity distribution among the banks and the volume of operations conducted in certain periods. The lowest weighted average interest rate was recorded in February, largely due to limited market activity: only one operation was concluded during the month, the parameters of which exerted a decisive influence on the monthly average. In January and March, interest rates in the REPO market stood at a higher level compared to February, reflecting persistent demand from certain market participants for short-term funding.

As a result, the overall spread between the National Bank's policy rate and the interest rate on REPO transactions widened from (-)5.30 p.p. in the previous quarter to (-)5.96 p.p. in Q1 2026. This indicated that the high volume of excess liquidity continued to limit the speed at which the interest rate signals were transmitted to the interbank segment.

The spread between the weighted average yield on the National Bank's notes and the policy rate also remained in negative territory and continued to widen. The yields on notes adjusted more gradually amid high demand from the banks for the instruments to place temporarily available funds.

An increase in the supply of notes was an additional factor, which helped to partially meet the market participants' demand for sterilization instruments and constrained a sharper rise in yields. As a result, the average spread between the weighted average yield of notes and the policy rate widened from (-)6.09 p.p. in Q4 2025 up to (-)6.59 p.p. in Q1 2026.

This situation reflected availability of significant amounts of available funds in the banking sector, when demand for the National Bank's reliable short-term instruments remained consistently high even with yields below the policy rate.

In the foreign exchange market of SWAP operations, the overall spread between the National Bank's policy rate and the market rate widened from (-)3.77 p.p. in Q4 2025 to (-)5.65 p.p. in Q1 2026. These dynamics were driven by more restrained reaction in this segment compared to other segments of the money market.

The cost of SWAP operations was determined not only by domestic interest rate conditions, but also by conditions in the foreign exchange market, market participants' expectations and banks' provision with liquidity in the national currency. Given the availability of significant amounts of available free resources, banks' need to attract short-term funding through foreign exchange SWAP operations remained limited, which restrained the rise in interest rates.

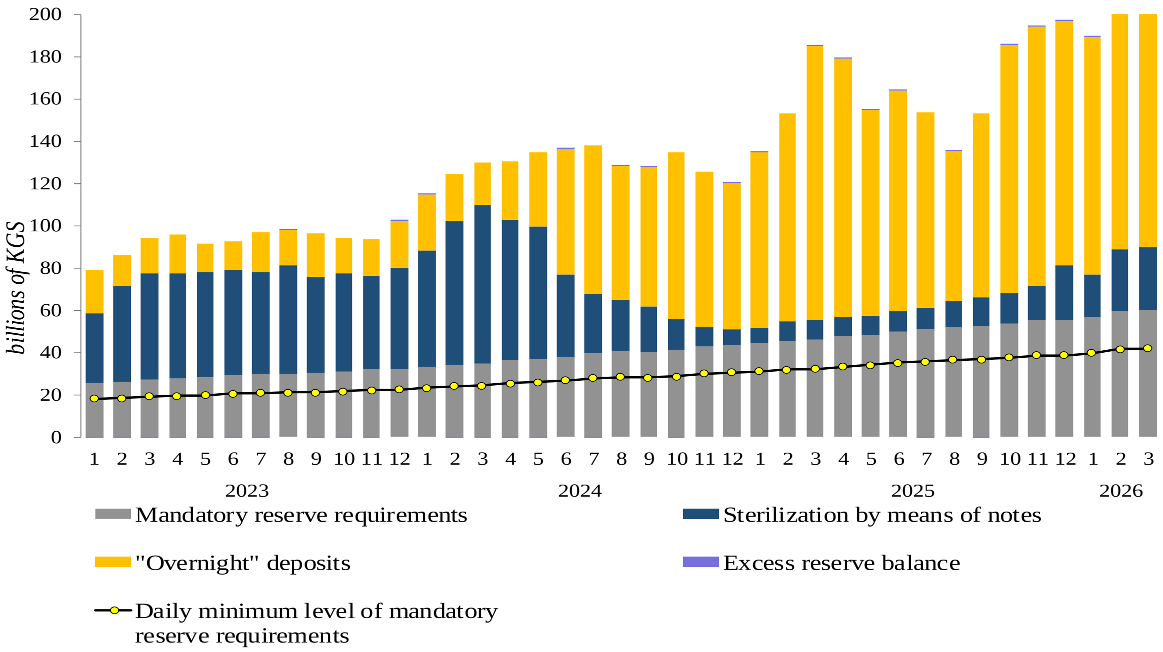
An additional factor was providing relative stability in the domestic foreign exchange market and lack of significant demand for immediate reallocation of foreign exchange liquidity among the market participants. In these circumstances, foreign exchange SWAP operations were used primarily as a tool for targeted management of short-term position.

Liquidity in the Banking Sector

During the reporting period, excess liquidity in the banking system demonstrated steady growth. In order to mitigate the pressure from the monetary component of inflation, the National Bank actively conducted liquidity-absorbing operations; in particular, there was an increase in the supply of notes across the entire maturity spectrum and the volume of funds withdrawn via "overnight" deposits.

During the reporting period, build-up of excess liquidity in the banking sector was driven by the combined impact of factors from the monetary sector and the public finance sector. During the period considered, the average daily excess liquidity prior to the National Bank's sterilization operations increased by 14.1 percent compared to the previous quarter and amounted to KGS 157.8 billion, while the annual growth rate reached 39.9 percent.

Chart 3.1.3. Dynamics of Overall Liquidity, Structure of Excess Reserves Sterilization



The average daily volume of banks’ excess reserves expanded on a monthly basis: from KGS 138.3 billion in January to KGS 150.7 billion in February and KGS 183.8 billion in March. The operations of two sectors, including capitalization of state-owned enterprises and the transfer of the National Bank’s 2025 profit to the budget revenues in accordance with the Constitutional Law of the Kyrgyz Republic “On the Transfer of Profit of the National Bank of the Kyrgyz Republic”, were the key drivers of this trend.

Amid a persistently high level of excess reserves, the National Bank actively conducted an absorption policy to limit the impact of monetary factors on the prices level and ensure a balanced of money supply in the economy. When determining the parameters of issued liquidity management instruments (volumes and maturities), the National Bank conducted a comprehensive analysis of the money market, including the current and forecast levels of structural liquidity in the banking system, the dynamics of autonomous factors affecting liquidity injection, the state of short-term money market rates, and the market participants’ demand for the National Bank’s instruments.

In general, the banking liquidity management system relied on the National Bank’s constant presence in the market, offering to note issuances and accept funds to be placed in “overnight” deposits. In Q1 2026, the average daily volume of excess liquidity withdrawn from the banking system amounted to KGS 150.9 billion (in the same period of 2025 – KGS 112.6 billion), having increased from KGS 137.5 billion in Q4 2025. At the same time, the structure of sterilization operations suffered minor changes due to an increase in supplies across all maturities of sold notes (7, 91 and 182 days): the share of the National Bank’s notes in the structure of sterilization operations increased up to 17.5 percent (in Q4 2025 – 13.8 percent), while the share of “overnight” deposits grew up to 82.5 percent (in Q4 2025 – 86.2 percent).

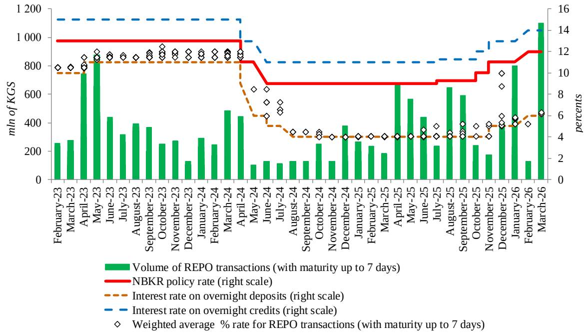
In addition, a significant share of excess reserves was indirectly withdrawn through foreign exchange interventions on sale of foreign currency, in Q1, the volume thereof amounted to USD 725.5 million, or equivalent to approximately KGS 63.4 billion (in Q4 2025 – USD 474.4 million or KGS 41.5 billion).

3.2. Transactions on the Interbank Money Market

Interbank Credit Market

In Q1 2026, the market participants' activity in the REPO transactions segment of the interbank credit market increased, and there was growth in maturities and interest rates of concluded transactions.

Chart 3.2.1. Dynamics of Rates and Volume of Repo Transactions in the Interbank Credit Market



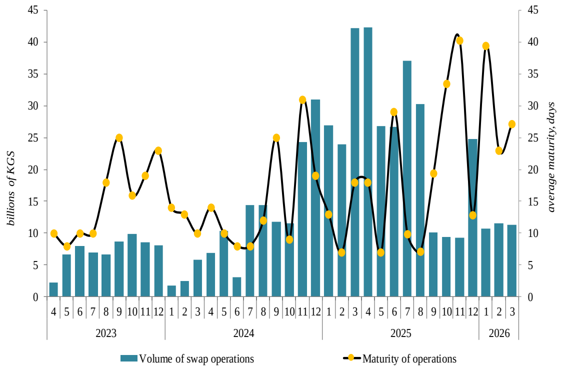
In Q1 2026, the interbank market of short-term funding demonstrated significant increase in demand for foreign currency liquidity via REPO instruments. The total volume of transactions rose by 77.0 percent compared to the previous quarter and amounted to KGS 5.2 billion.

This period was characterized by simultaneous growth in volume and value: the weighted average interest rate rose up to 5.7 percent per annum, while the weighted average maturity of borrowings extended from 15 to 29 days. In March, market showed highest ever activity, when the maximum transaction volume (KGS 3.2 billion) was reached at the highest cost of funds of 6.2 percent. Such dynamics indicate formation of stable demand for longer-term foreign currency funding amid tightening monetary conditions.

Interbank Swap Market

Overall, activity in the interbank foreign exchange swap transactions market decreased by 22.9 percent compared to the previous quarter. Commercial banks concluded transactions with an average term of 30 days (+1 day) to attract liquidity in the currency to conduct their operating activity.

Chart 3.2.2. Dynamics of Swap Transactions

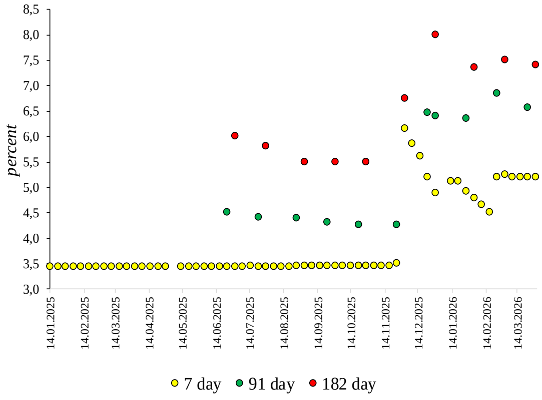


In the interbank foreign exchange swap transactions market, the weighted average interest rate decreased from 6.56 percent in the previous quarter down to 6.01 percent in Q1 2026. At the same time, the volume of transactions fell by 22.9 percent, reflecting a decline in banks' need to use currency swaps for short-term liquidity management amid sufficient level of KGS resources in the banking system. Relative stability of the national currency exchange rate, which reduced the need to use currency swaps for hedging purposes, was an additional factor. The weighted average maturity of transactions increased by two days up to 10 days.

In particular, the volume of transactions to attract KGS liquidity fell by 44.6 percent compared to the previous quarter amid high level of the commercial banks' excess liquidity in the national currency (a decrease by 9.9 percent in annual terms).

Market of the National Bank's Notes

Chart 3.2.3. Weighted Average Interest Rates of the National Bank's Notes



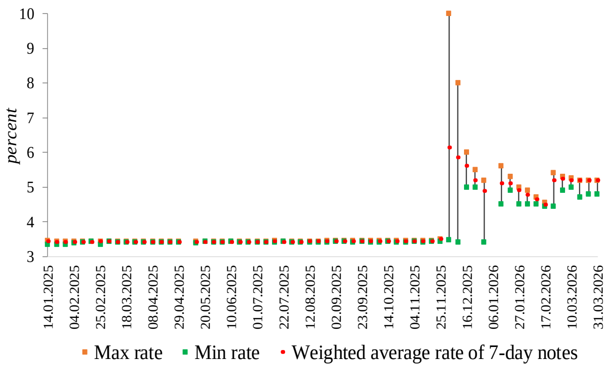
During Q1 2026, the market for National Bank's notes maintained an upward trend in the weighted average interest rates. This dynamic was conditioned by an increase in the National Bank's policy rate during the reporting period and stable high demand amid elevated excess liquidity in the banking system.

The total demand for notes increased by 39.7 percent compared to Q4 2025. Traditionally, 7-day notes attracted the greatest interest from the market participants; however, the "longer-term" segments showed a significant increase in bids: demand for 182-day notes increased by 3.1 times, and for 91-day notes – by 22.0 percent.

As part of its policy to absorb excess liquidity, the National Bank increased the volume of supply across all maturity lines of notes. The sales volume of 7-day notes was increased by 40.5 percent, 91-day notes – by 9.1 percent, and 182-day notes – by 50.0 percent.

The overall weighted average yield on notes rose by 0.8 p.p. compared to the previous quarter, up to 5.07 percent. The positive trend in interest rates across the entire maturity stimulated the resumption of activity among a several participants, who had previously refrained from operations in this segment. In addition, a new banking institution entered the market: despite moderate transaction volumes, the bank participated regularly in auctions (on a monthly basis during the reporting quarter). The weighted average yield of 7-day notes stood at 5.01 percent (+0.81 p.p.), for 91-day notes – 6.58 percent (+1.60 p.p.) and for 182-day notes – 7.40 percent (+1.07 p.p.).

Chart 3.2.4. Maximum and Minimum Yield on Satisfied Requests for 7-day Notes

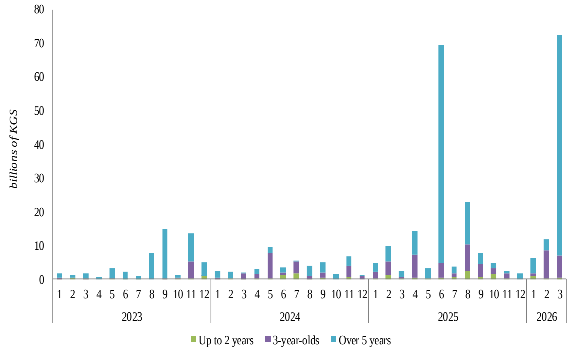


Yield ranges on satisfied bids also shifted upwards: maximum requests grew by 0.34 p.p., 1.33 p.p. and 0.63 p.p. for 7-, 91- and 182-day notes respectively. The minimum yield increased by 1.04 p.p. (7 days), 1.59 p.p. (91 days) and 0.70 p.p. (182 days).

Government Securities Market

In Q1 2026, the government securities (GS) market was represented by the securities of all maturities, excluding 20-year securities. The state treasury bonds (ST-Bonds) with 15-year maturity were in the greatest demand among the market participants.

Chart 3.2.5. Volume of Issued GSs



In Q1, the volume of ST-Bonds sales at the platform of the National Bank increased by 5.7 times compared to the same period in 2025 and amounted to KGS 89.0 billion. Meanwhile, the weighted average yield fell to 11.08 percent (-3.39 p.p.). The volume of government securities sales at the platform of KSE amounted to KGS 1.6 billion (a decrease by 3.4 percent) with the weighted average yield of the state treasury bills (ST-Bills) – 10.5 percent (-0.33 p.p.) and ST-Bonds – 13.0 percent (-0.1 p.p.).

Thus, in Q1 2026, the share of long-term bonds increased significantly, and the overall yield of the government securities market decreased in the structure of government securities sales.

Chart 3.2.6. Weighted Average Yield of GSs with 1-5-year Maturity

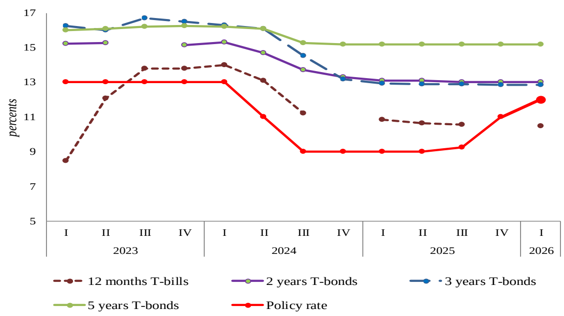
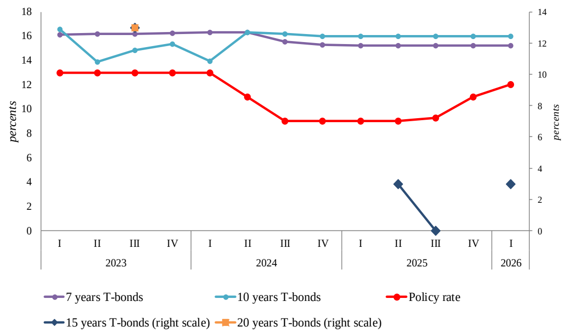


Chart 3.2.7. Weighted Average Yield of GSs with 7-20-year Maturity



Deposit Market

The commercial banks' deposit base showed growth in the national currency.

At the end of Q1 2026, the banks' total deposit base amounted to KGS 916.5 billion, having increased by KGS 50.3 billion (+5.8 percent) during the quarter. The growth of the deposit base was due to an increase in deposits in the national currency up to KGS 629.6 billion (+11.4 percent). The deposit base in foreign currency fell down to KGS 286.9 billion ((-) 4.7 percent).

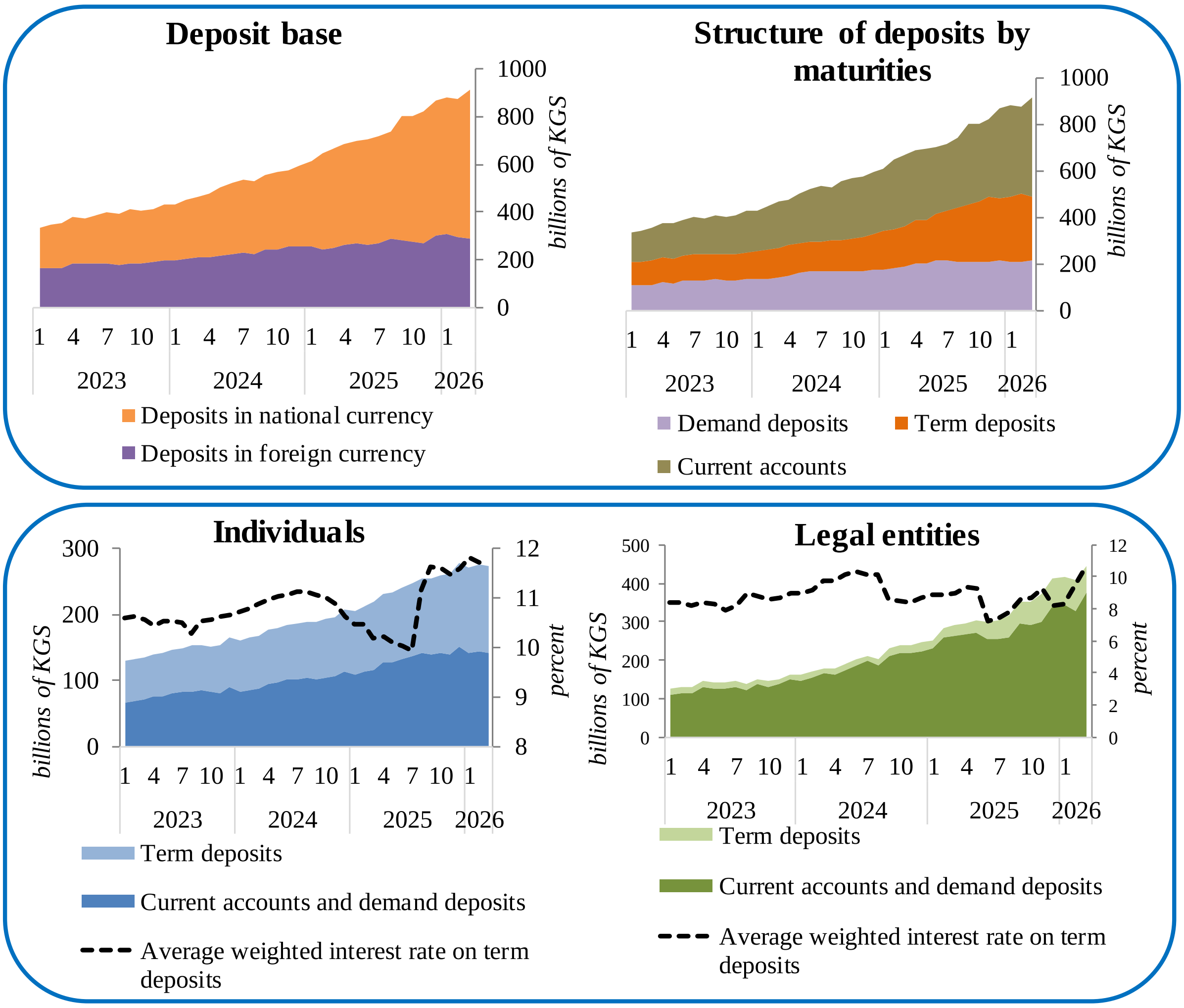
During the quarter, growth in deposits was primarily conditioned by expansion of funds on settlement accounts by 10.6 percent (up to KGS 425.2 billion), while demand deposits increased by 1.0 percent, up to KGS 217.9 billion. Time deposits increased by 2.8 percent (up to KGS 273.4 billion).

In Q1, individuals' and legal entities' time deposits showed multidirectional dynamics. The amount of households' savings on time deposits in the national currency amounted to KGS 115.1 billion (+4.4 percent for the quarter). Moreover, legal entities' deposits in the national currency demonstrated growth: deposits increased by 12.2 percent during the quarter, up to KGS 63.0 billion. There was downward trend on time deposit accounts in foreign currency for legal entities (KGS 5.9 billion ((-)70.0 percent)) and for individuals (KGS 15.9 billion ((-)12.3 percent)).

In Q1, dollarization (adjusted for the official exchange rate) continued to decline to 31.3 percent (at the end of Q4, 34.7 percent), reflecting savings preferences of the population and businesses in the national currency.

Chart 3.2.8. Trends in the Deposit Market

The volume of the deposit base at the end of Q1 2026: **916,5 billion soms**	Deposits' growth rate since the beggining of the year: **+5,8%**	Average weighted interest rate of term deposits at the end of Q1 2026: **10,92%**	The level of dollarization of the deposit base at the end of the first quarter of 2026: **31,3%**



Credit Market

In Q1 2026, active lending to the economy continued.

In the reporting period, the lending market continued to grow. During the quarter, the banks' credit portfolio increased by 6.5 percent and amounted to KGS 540.1 billion. Increase of credits in the national currency by 6.9 percent, up to KGS 442.9 billion, was the main driver of growth in the period considered.

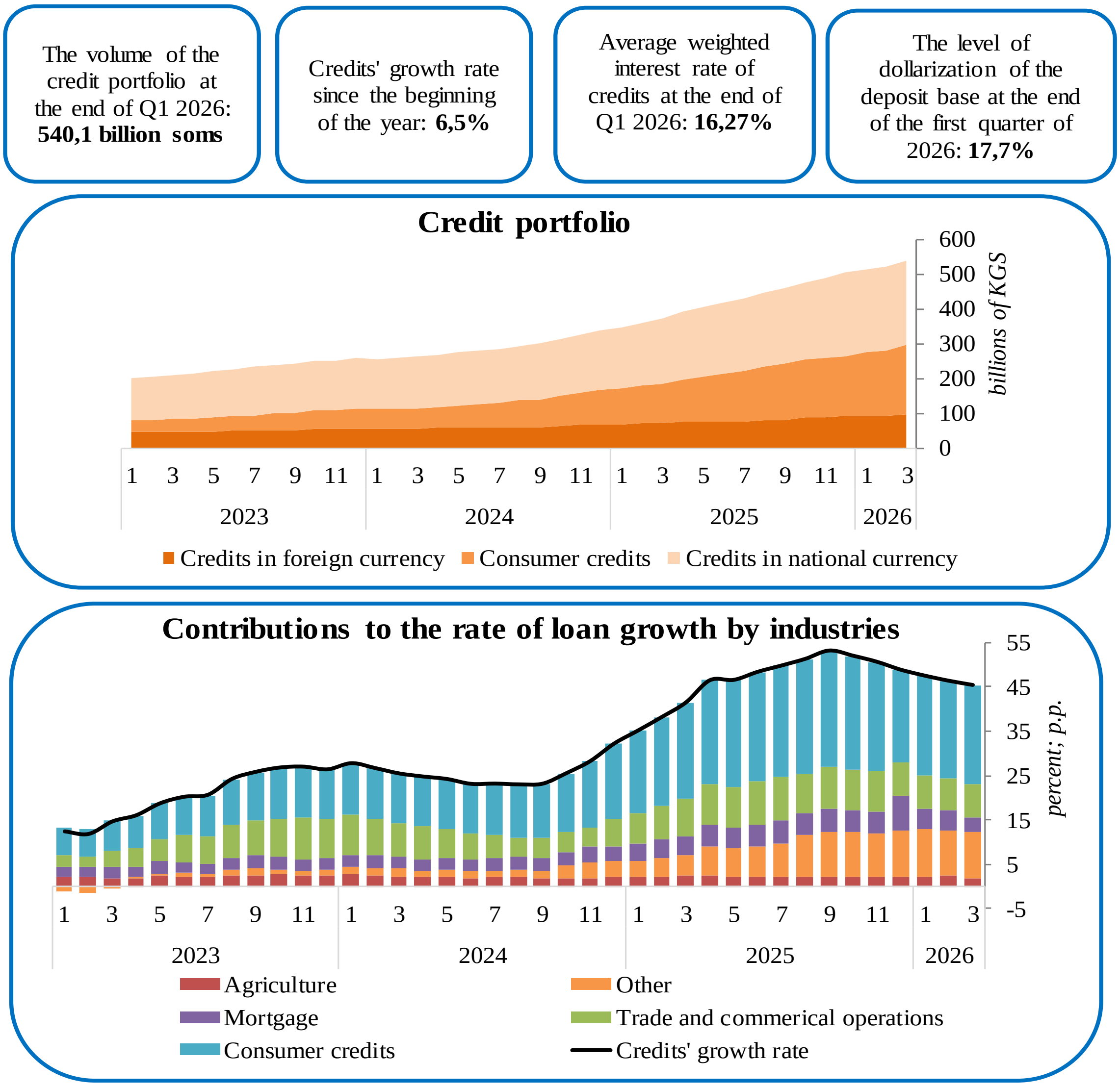
High lending rates in the key sectors, primarily due to credits to the sectors of communications (+2.9 times), industry (+35.9 percent) and consumer credits (+15.1 percent), provided stable support in demand for credits in the national currency. Moreover, there were positive trends in the sectors of trade and commercial operations (+7.8 percent), social services (+6.6 percent) and agricultural lending (+1.3 percent).

Lending in foreign currency also showed positive dynamics (+4.8 percent). An increase in credits for consumer needs, social services and industry by 4.9 times, 32.5 percent and 19.6 percent, respectively, made the largest contribution to growth in credits in foreign currency.

Moreover, transport (+12.2 percent), trade (+7.5 percent) and agriculture (+4.4 percent) showed growth.

In the reporting quarter, dollarization of the economy (adjusted for the accounting exchange rate) demonstrated stable decline. Thus, the dollarization of the credit portfolio amounted to 17.7 percent.

Chart 3.2.9. Trends in the Credit Market



3.3. Dynamics of Monetary Base and M2X Aggregate

In Q1 2026, the structure of broad money (M2X) showed resilience to expansion, supported by growth in net foreign assets and sustainable lending activity, amid seasonal adjustment in the monetary base. Despite the restraining effect of net domestic assets, conditioned by capital flows and other items, systemic inflows of funds and stable demand for credit resources from the economy were the key drivers of monetary supply in the reporting period.

At the end of Q1 2026, the monetary base decreased by 11.8 percent compared to the previous quarter and amounted to KGS 335.9 billion (an increase by 17.1 percent in annual terms). A reduction in the National Bank's liabilities to the commercial banks, primarily due to a decrease by 30.3 percent in the commercial banks' balances in correspondent accounts with the National Bank, was a key factor for this dynamics.

Reduction in the volume of cash in circulation by 6.9 percent had an additional impact on the contraction of the monetary base compared to the previous quarter. At the same time, this growth of cash in the commercial banks' cash departments and ATMs indicated redistribution of liquidity within the system. This trend is distinctly seasonal: following the peak levels of Q4, a natural correction in demand for cash occurs at the beginning of the year amid normalization of consumer activity in the post-holiday period.

Chats 3.3.1. Structure of Broad Money

(as of the end of period)

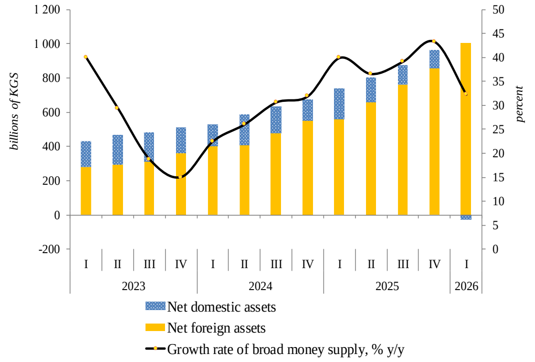
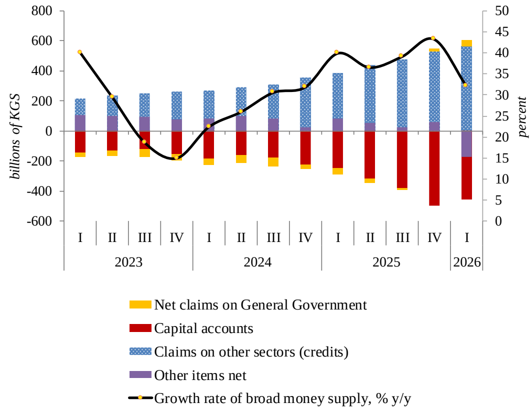


Chart 3.3.2. Dynamics of Net Domestic Assets Structure

(as of the end of period)



At the end of the reporting period, the broad money (M2X) aggregate stood at KGS 977.3 billion. This indicator represented a 32.3 percent increase year-on-year, while growth by 1.3 percent was moderate compared to Q4 2025.

Traditionally, growth in net foreign assets (NFA) made the main contribution to growth of money supply. The positive trend in NFA was driven by an increase in gross international reserves, in particular gold reserves, in physical terms and amid favorable gold price conditions in the world market. On a quarterly basis, NFA grew by 17.2 percent, accelerating slightly compared to the previous quarter (by 78.7 percent in annual terms), which is explained by outstripping growth of currency requirements to non-residents (+15.4 percent) over liabilities to them (+3.6 percent).

In contrast to the external sector, the dynamics of net domestic assets (NDA) in the reporting period had a restraining effect on money supply growth. The NDA indicator moved into negative zone and stood at KGS (-)26.3 billion (in Q4 – KGS (+)108.2 billion). This factor was primarily conditioned by movements in other capital items and accounts. Furthermore, growth in requirements to general government in the form of securities was largely offset by an increase in the volume of funds placed by the public sector in bank deposits.

At the same time, sustainable expansion of the commercial banks' credit portfolios indicated that demand from the real sector and households remained stable, and that the commercial banks had sufficient liquidity. Banks' lending activity continued to stimulate economic activity in the country.

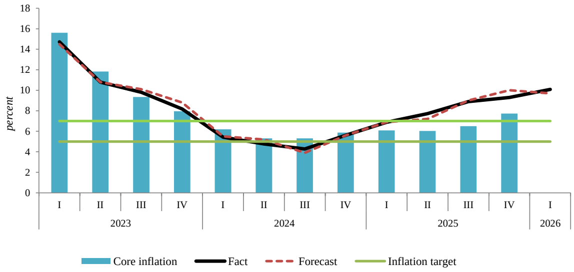
Chapter 4. Inflation Dynamics

4.1. Consumer Price Index

At the end of Q1 2026, the inflation rate in the Kyrgyz Republic constituted 10.1 percent compared to 9.3 percent in Q4 2025 (quarter-on-quarter). In March 2026, the annual inflation rate was 11.0 percent.

Chart 4.1.1. Actual and Forecasted CPI Values

(quarter to the corresponding quarter of the previous year)



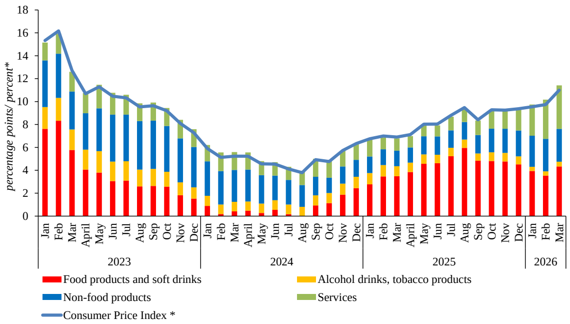
In Q1, inflation in the Kyrgyz Republic demonstrated stable upward trend. This trend was conditioned by the combined impact of external and internal factors.

The external environment showed stable influence of geo-economic uncertainty in the Middle East with changes in supply chains, volatile dynamics in the world commodity markets, as well as inflationary pressures in the trading partner countries.

Rise in prices for food products, revision of tariff policy in the services sector (in the sphere of electricity and housing and public utility services, change in the price formation mechanism resulted from elimination of service fee[1] charging in catering establishments), expansion of consumer demand due to an increase of the population incomes and growth of government expenditures were the main contributors to inflation among the domestic factors.

Chart 4.1.2. Dynamics of Inflation, Core Inflation and CPI Structure

(month to the corresponding month of the previous year)



In Q1, the structure of inflation in annual terms was as follows: prices for food products and soft drinks rose by 10.9 percent, for alcohol drinks and tobacco products – by 9.5 percent, for non-food goods – by 9.0 percent, and for services – by 15.9 percent.

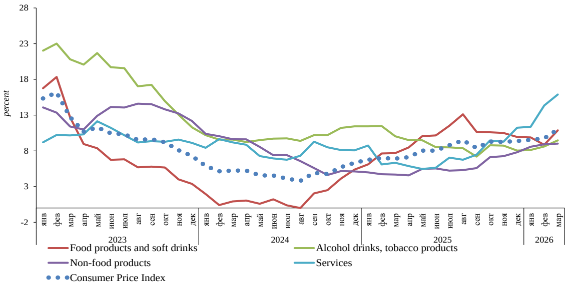
Since the beginning of the year, as before, food inflation made the most significant contribution at 4.3 p.p. to the overall consumer price index (CPI). In Q1, this trend was conditioned by rise in prices in the commodity group “meat” and “fruit and vegetables” (the contribution to the annual CPI growth was 1.9 and 0.6 p.p., respectively, an increase by 14.4 and 11.1 percent, respectively, in annual terms), driven by a combination of unfavorable external conditions and reduction in domestic supply.

In addition, the groups “oils and fats” and “dairy products, cheese and eggs” still made a significant contribution to food inflation amid growth of the world prices for vegetable oil and dairy products.

[1] Resolution of the Cabinet of Ministers of the Kyrgyz Republic No. 663 dated October 14, 2025 (https://cbd.minjust.gov.kg/7-45261/edition/38554/ruhttps://cbd.minjust.gov.kg/7-45261/edition/38554/ruhttps://cbd.minjust.gov.kg/7-45261/edition/38554/ru)

Chart 4.1.3. Dynamics of the Main Groups of Consumer Price Index

(month to the corresponding month of the previous year)



There was stable acceleration of price growth in the group of non-food products (the contribution to the annual CPI growth was 2.9 p.p.). As before, the categories of housing and public utility services and energy resources, including electricity, gas and fuel, conditioned by implementation of the state tariff policy and persistently high prices for petroleum, oil and lubricants, were the main sources of pressure in this group.

In Q1, inflation in the services sector showed sustainable upward dynamics (the contribution to the annual CPI growth was 3.8 p.p.) under the impact of structural and administrative factors. The key driver was the catering sector, where significant price growth was conditioned by change in the price formation mechanism (elimination of service charges) from January 1, 2026[1] and expenditures for introduction of the fiscal software conducted during the period from September 1, 2025 till July 31, 2026. At the same time, as before, there were high growth rates in the sectors of education, healthcare and culture.

4.2. Inflation Expectations

In Q1 2026, price expectations of the enterprises and households fell compared to the previous quarter and were formed below the actual inflation rate (Chart 4.2.1).

Chart 4.2.1. Actual Inflation Value, Target, Enterprises' and Households' Expectations (According to the Surveys of the NSC KR and the WB)

(month to the corresponding month of the previous year)

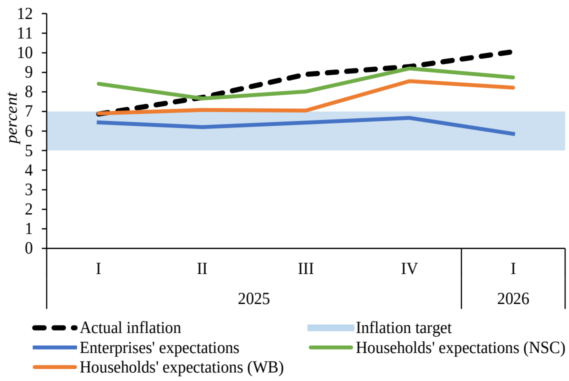


Chart 4.2.2. Distribution of Enterprises' and Households' Answers (According to the Surveys of the NSC KR and the WB)

(shares)

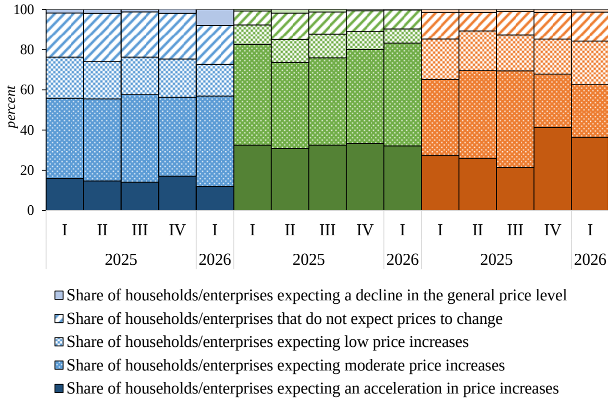


Table 4.2.3. Inflation Expectations of Households and Enterprises of the Kyrgyz Republic

(percent in annual terms)

	2018				2019				2020				2021			
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
Enterprises' expectations [1]	3.9	3.4	3.0	2.7	2.4	2.0	2.0	2.1	2.3	2.8	2.9	3.8	4.7	6.0	7.6	9.1
Households' expectations [1]	3.3	3.0	2.7	2.5	2.3	2.2	2.0	2.1	2.6	3.2	2.9	3.5	4.5	5.2	5.9	6.5
Households' expectations [2]																

	2022				2023				2024				2025				2026
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I
Enterprises' expectations [1]	9.9	10.8	11.4	12.6	10.4	10.2	8.8	9.3	9.1	8.8	7.7	7.3	6.4	6.2	6.4	6.7	5.9
Households' expectations [1]	8.6	9.4	9.8	10.1	10.8	10.9	10.9	10.3	9.2	8.3	7.3	8.1	8.4	7.7	8.0	8.5	8.7*
Households' expectations [2]						9.6	11.3	10.5	9.1	7.0	6.1	6.3	6.9	7.1	7.0	8.6	8.2

[1] - The NBKR's estimates based on data from the NSC have been compiled since early 2018.

[2] - The NBR's estimates based on data from the WB have been compiled since the second quarter of 2023.

* - *preliminary data*

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[1] Resolution of the Cabinet of Ministers of the Kyrgyz Republic No. 663 dated October 14, 2025 (https://cbd.minjust.gov.kg/7-45261/edition/38554/ruhttps://cbd.minjust.gov.kg/7-45261/edition/38554/ruhttps://cbd.minjust.gov.kg/7-45261/edition/38554/ru)

According to the NSC KR survey for Q1 2026, the population's expectations of inflation over the next 12 months increased slightly, remaining close to the previous quarter's values at 8.7 percent (Table 4.2.3). Households' inflation expectations for the coming year were lower than current actual figures (Chart 4.2.1).

At the end of Q1 2026, the study of the World Bank data conducted among 1,500 households in the Kyrgyz Republic regarding inflation expectations slowed slightly acceleration in households' expectations compared to the previous quarter. However these figures remained below the actual inflation rates and stood at 8.2 percent. The share of respondents expecting acceleration in price growth decreased compared to the previous quarter (from 41.3 percent in Q4 2025 up to 36.5 percent in Q1 2026).

Inflation expectations of the enterprises were formed below the population's expectations. Despite acceleration in the actual inflation rate, inflation expectations of the enterprises fell down to 5.9 percent in the reporting period. The share of respondents expecting a decline in the general price level increased significantly compared to the previous quarter (from 2.0 percent in Q4 2025 up to 7.9 percent in Q1 2026).

Thus, despite a slight slowdown in early 2026, public inflation expectations continue to exert upward pressure on the economy. A key risk factor remains the fact that household expectations still consistently exceed the medium-term monetary policy target. The fact that public forecasts remain above the target range amid accelerating actual inflation indicates consumer caution. This sustains the market's high sensitivity to current shocks and could serve as a catalyst for a temporary acceleration of inflationary pressures in the coming period.

Chapter 5. Medium-Term Forecast

5.1. Medium-Term Forecast

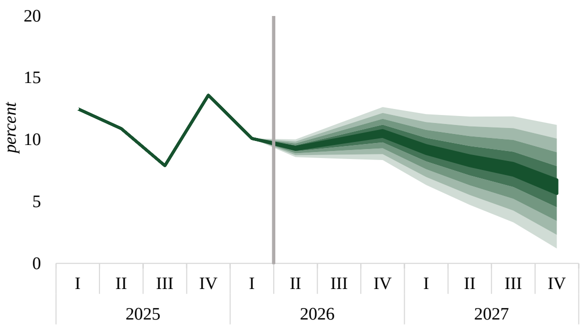
When developing monetary policy, the National Bank of the Kyrgyz Republic relies on analytical and modeling results and analyses of various economic growth scenarios in the medium term. Forecasting is made taking into account as many shocks and preconditions of the current period as possible, as well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

The baseline scenario of the medium-term forecast takes into account the following external economic conditions: geopolitical uncertainty in the Middle East, moderate economic growth in the countries – main trading partners of the Kyrgyz Republic, and high price volatility in the commodity markets. Domestic factors of economic development assume that inflation expectations among the population will accelerate slightly and expectations among the enterprises will remain moderate, that the government policy on increasing tariffs for electricity and housing and public utility services and the state expansionary fiscal policy will remain unchanged.

The following forecast of the key macroeconomic indicators of the Kyrgyz Republic for 2026-2027 was developed considering the emerging trends in the economic development of the Kyrgyz Republic's trading partners and high price volatility in the world commodity markets.

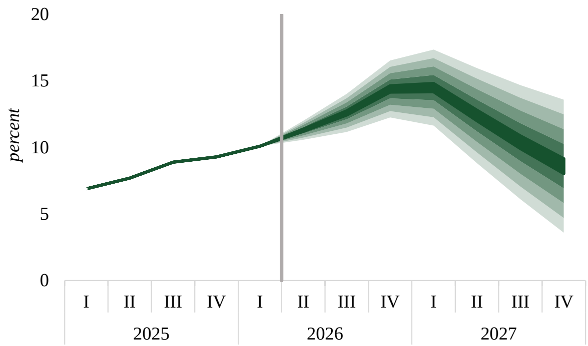
The National Bank's estimates show that the Kyrgyz Republic's economic growth is expected to remain relatively high 2026.

Chart 5.1.1. Forecast of Real GDP
(quarter to the corresponding quarter of the previous year)



In 2026, the National Bank kept unchanged its growth forecasts for the Kyrgyz Republic's economy at approximately 10.0 percent (as previously published in the February round). These forecasts take into account sustainable stimulating impact of the state programs on the general economic activity in the country, including implementation of the large-scale infrastructure projects. Construction sector demonstrating significant growth due to large-scale construction of residential buildings by "State Mortgage Company" OJSC and infrastructure facilities, as well as increased activity in the sectors of wholesale and retail trade will provide the main contribution to growth of forecasted real GDP. The industrial sector, through an increase of production output at the existing enterprises and establishing new ones, as well as expansion of tourism activity within the framework of planned large-scale events (hosting SCO events and the 6th World Nomad Games), will also contribute to formation of a high level of real GDP in 2026. In 2027, positive real GDP growth is expected to be stable at 7.6 percent.

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



Since the beginning of 2026, new external factors had a significant impact on inflationary dynamics in the Kyrgyz Republic. This situation was conditioned by high volatility and price movements in the world food markets, which demonstrated an upward trend since February 2026 following long-lasting decline in prices during 2025.

Conflict in the Middle East, which resulted in price upsurge in the world oil market, increase in prices for fuel worldwide and growth of expenses, as well as corresponding constraints on the logistics of goods in the regional context, was the main factor of such dynamics in the world prices for food products. As the Kyrgyz Republic is a small open economy with a large share of imports in the population's consumer basket, domestic food prices were also adjusted in line with the world prices.

At the same time, persistent domestic factors, such as implementation of a policy for planned increase in tariffs for electricity and housing and public utility services, rise in budgetary expenditures to provide increase of wages and financing of the infrastructure projects, growth of prices for hotel and restaurant services resulted from current reforms to formalize tax procedures, and expansion of consumer and investment activity in the country will continue to exert moderate influence on inflationary dynamics in the country.

Taking into account the impact of new external factors, the National Bank revised its forecasts for inflation being expected in 2026: in case of further rise in food and energy prices and escalation of the conflict in the Middle East, the inflation rate of the country is expected to reach double-digit figures of approximately 15.0 percent. These estimates reflect new external economic conditions and the trend towards stronger external pro-inflationary factors, and take into account rise of the inflation rate in trading partner countries.

In its Statement on the monetary policy for 2026 (adopted on December 24, 2025), the National Bank set maintaining the medium-term inflation rate at approximately 10 percent as the monetary policy target, provided there are no new additional shocks. The inflationary pressure currently observed in the Kyrgyz Republic is not monetary and is the result of new external shocks, in particular geopolitical factors related to the situation in the Middle East. In general, the current external economic environment is characterized by high uncertainty.

Under such conditions, the monetary policy conducted by the National Bank will be focused on minimizing the impact of external shocks on price movement in the Kyrgyz Republic, restricting secondary inflationary effects, and creating conditions for inflation to return gradually to the target range of 5-7 percent in the medium term.

2026-2027 Balance of Payments Forecast [1]

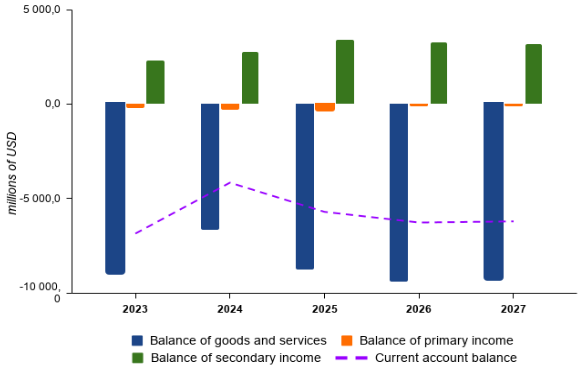
The 2026 forecast horizon was established on the basis of historical data and updated key macroeconomic parameters for the countries – main trading partners of the Kyrgyz Republic. However, the continued volatility of the global economy and external risks may affect the stability of the country's external economic indicators.

In 2026, the current account deficit is projected to be 24.5 percent of GDP. According to the National Bank's estimates, the expected dynamics will be conditioned by asymmetry in foreign trade flows. The implementation of large-scale state programs and social and

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

infrastructure development projects, as well as the expansion of the construction and industrial sectors of the economy will contribute to stable domestic demand for imports, while goods exports will show moderate growth.

Chart 5.1.3. Forecast Data on Current Account



(millions of USD)

The forecast for foreign trade is based on a combination of external and internal factors, taking into account fluctuations in the world food and oil prices, GDP dynamics and the economic indicators of the main trading partners, as well as the volume of gold exports from the Kyrgyz Republic. The calculations incorporate downside risks in the form of structural shifts in regional trade, as well as growth drivers, such as geographical diversification, spatial transformation, and government stimulus measures.

The updated forecast projects exports to rise by 1.9 percent compared to 2025, accounting for the ongoing implementation of new digital mechanisms within the EAEU, specifically the Expected Goods Delivery Confirmation System (EGCS), to improve the transparency of goods flow administration. The impact of this process on export volumes will be temporary and is expected mainly in the first half of 2026; thereafter the situation will gradually stabilize as businesses complete their adaptation to the updated regulatory standards. At the same time, the steps taken by the Cabinet of Ministers of the Kyrgyz Republic to enter new markets, along with the financial and legal support measures aimed at promoting exporters, will provide an additional incentive to maintain positive export growth.

At the same time, volumes of import will demonstrate moderate growth by 5.8 percent compared to 2025. As before, investment goods and energy products will continue to account for the main share of imports. Stable supply of intermediate and consumer goods to the domestic market is also expected.

Taking into account the actual data within the framework of the baseline scenario, the forecast for the secondary income balance has not undergone significant changes.

In the revised forecast, the secondary income account has been adjusted taking into account the high base effect of the previous year. Inflows under the item “workers’ remittances” are expected to remain close to the 2025 level (a decrease by 4.2 percent). Such situation is driven by changes in the economic environment of the sectors where migrants are employed, as well as improvements in the migration-related legal and regulatory frameworks of the host countries.

At the same time, the balance of services will develop positive, having increased by 2.8 percent mainly due to higher inflows from services rendered. As before, the positive upward trend in their structure will be provided by the items “travel” and “other services”.

Financial account inflows will partially offset the current account deficit. Traditionally, other investment and foreign direct investment will mainly provide the financial capital inflows.

The external sector parameters set for 2026 serve as the baseline for the subsequent dynamics of indicators in 2027.

In 2027, the current account deficit will narrow slightly and will be formed at 18.5 percent to GDP. Marginally reduction in the foreign trade balance deficit and the secondary income balance will be the key factors.

According to the National Bank’s estimates, an increase in exports of 18.0 percent, along with a 3.2 percent rise in imports, will result in slight reduction in the trade balance deficit (by 1.1 percent compared to 2026).

Exports estimates for 2027 have been revised upwards. This was driven by optimistic expectations regarding economic growth in partner countries and the stabilization of trade within the EAEU. Current estimates are based on a set of underlying assumptions: initiatives by the Cabinet of Ministers of the Kyrgyz Republic to expand the country's export opportunities by increasing the number of export-oriented enterprises, integration of the economy into regional and global markets through diversification of export destinations, trade infrastructure development, and the promotion of domestic products abroad by modernizing the country's transport and logistics system and enhancing the throughput capacity of customs checkpoints.

Forecasts for imports have been slightly revised upwards, considering the following factors: active rollout of the state programs and social and infrastructure development projects and, as a result, an increase in physical supplies of materials and equipment to the country amid growing demand from the real sector of the economy (in particular, industry, construction and the fuel and energy complex).

A marginal decline in inflows is expected under the "workers' remittances" item (by 2.7 percent compared to 2026). This moderate trend reflects a deceleration of the decline amid an expected improvement in business activity in the Russian Federation, as well as gradual adaptation of migrants to new migration rules.

In 2027, the current account deficit is forecasted to be largely covered by other investment in the private sector and foreign direct investment.

The following risks persist in the elaborated forecast of the balance of payments of the Kyrgyz Republic for 2026-2027:

- high degree of geopolitical uncertainty;
- volatility of the world oil and gold prices;
- slowdown in economic growth among key trading partners;
- the growing debt burden on 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	2023				2024				2025				2026
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
1. Demand and suppply[1] *(real growth rates, if otherwise is not indicated)*														
Nominal GDP, per quarter	*mln. KGS*	231 249,5	292 877,7	375 903,3	433 699,5	278 599,5	335 485,5	446 484,1	522 222,7	348 775,3	409 495,5	542 038,7	676 079,9	428 576,9
GDP	%	8,1	4,9	7,4	13,7	13,1	10,7	11,3	11,5	12,6	10,2	7,9	13,6	10,1
Domestic consumption	%	17,6	38,3	5,0	9,5	4,8	1,4	13,0	21,7	19,8	20,3	22,2	20,5	
Investment	%	60,0	-22,5	31,2	45,4	98,9	27,2	-78,8	-74,0	-41,6	8,2	133,3	324,6	
Net export	%	130,6	95,8	71,0	59,2	50,4	-9,2	-48,3	-73,8	-34,4	24,2	75,4	360,4	
GDP production:														
Agriculture	%	5,9	-1,2	-1,2	3,4	2,2	9,1	7,3	3,5	1,8	2,0	2,3	2,2	2,8
Industry	%	10,7	-5,4	2,4	10,7	8,2	2,0	13,2	12,3	15,0	10,1	6,9	11,6	13,4
Construction	%	2,2	16,4	19,2	30,5	51,1	38,3	25,8	24,2	60,4	18,3	16,3	17,7	29,6
Services	%	3,0	3,5	4,0	7,1	5,7	3,0	5,6	7,4	5,4	7,1	6,2	5,5	5,1
including trade	%	4,5	6,1	7,9	11,4	12,5	11,3	11,0	6,4	9,1	10,4	9,4	13,5	7,7
2. Prices[2]														
CPI	%	114,7	110,8	109,8	108,2	105,4	104,8	104,3	105,6	106,9	107,7	108,9	109,3	110,1
CPI, in annual terms as of the end of period	%	112,7	110,5	109,6	107,3	105,2	104,5	104,9	106,3	106,9	108,0	108,4	109,4	111,0
Core inflation	%	115,6	111,8	109,3	108,0	106,2	105,3	105,3	105,9	106,1	106,0	106,5	107,7	
CPI by main groups of goods and services:	%													
Food products	%	115,9	108,0	106,1	104,3	101,1	101,0	100,8	104,0	107,1	109,6	111,8	110,3	109,9
Non-food products	%	121,9	120,5	117,9	113,1	109,8	109,5	109,8	111,0	111,0	109,2	105,4	107,4	108,8
Alcohol drinks and tobacco products	%	112,9	112,7	114,4	113,1	110,0	108,5	106,5	105,0	104,8	105,2	108,0	108,5	108,7
Services	%	109,9	111,2	109,6	109,3	109,1	107,7	107,8	108,2	107,0	105,7	107,1	110,0	113,9
CPI, classified by character:														
Excisable goods	%	117,9	116,0	114,9	111,9	109,8	110,3	109,9	110,0	109,8	108,1	107,5	108,9	108,6
Regulated prices	%	103,1	108,1	112,1	113,8	116,9	114,8	113,3	112,7	109,1	109,7	111,9	112,3	113,7
Market inflation rate (the rest of CPI)	%	114,5	114,1	113,4	111,6	108,2	106,5	105,5	104,9	105,1	104,6	104,8	107,4	110,1
3. External sector[3] *(in percent to GDP)*														
Trade balance	*% to GDP*	-56,9	-58,2	-55,1	-54,7	-58,1	-56,7	-47,0	-35,8	-32,4	-33,7	-35,3	-40,9	-39,4
Current transaction account	*% to GDP*	-42,3	-44,6	-44,7	-45,0	-49,3	-46,7	-34,9	-22,5	-16,9	-17,6	-17,4	-24,9	-24,3
Export of gods and services	*% to GDP*	31,1	32,4	34,5	36,4	37,1	39,2	43,6	46,3	44,9	42,0	38,7	28,2	26,8
Import of goods and services	*% to GDP*	88,5	92,4	92,6	95,4	100,3	99,5	92,5	82,8	76,5	75,0	71,6	66,9	64,0
4. USD exchange rate, as of the end of period	*KGS*	87,4200	87,2267	88,7100	89,0853	89,4708	86,4454	84,2000	87,0000	86,4000	87,3940	87,4019	87,4177	87,4500
5. Monetary sector *(real growth rates, if otherwise is not indicated)*														
NBKR policy rate, as of the end of period	%	13,00	13,00	13,00	13,00	13,00	9,00	9,00	9,00	9,00	9,00	9,25	11,00	12,00
Rate of "overnight" deposit, as of the end of period	%	10,00	11,00	11,00	11,00	11,00	5,00	4,00	4,00	4,00	4,00	4,00	5,00	6,00
Rate of "overnight" credit, as of the end of period	%	15,00	15,00	15,00	15,00	15,00	11,00	11,00	11,00	11,00	11,00	11,25	13,00	14,00
Average interest rates of operations in the interbank credit market, per quarter	%	10,52	11,29	11,64	12,11	11,71	9,12	5,22	4,07	4,08	4,13	4,31	5,04	5,71
of which:														
of REPO transactions	%	10,52	11,29	11,64	12,11	11,71	9,12	5,22	4,07	4,08	4,13	4,31	5,04	5,71
of credits in national currency	%	-	-	-	-	-	-	-	-	-	-	-	-	-
of credits in foreign currency	%	-	-	-	-	-	-	-	-	-	-	-	-	-
Weighted average yield of 7-day notes, as of the end of period	%	10,35	11,57	11,86	11,95	11,95	5,91	3,44	3,43	3,43	3,43	3,44	4,21	5,01
Weighted average yield of 14-day notes, as of the end of period	%	11,27	11,82	12,01	12,01	-	-	-	-	-	-	-	-	-
Weighted average yield of 28-day notes, as of the end of period	%	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	%	13,52	13,98	13,88	13,78	13,96	11,22	-	-	-	4,50	4,36	4,98	6,58
Weighted average yield of 182-day notes, as of the end of period	%	-	14,67	14,79	14,90	14,74	12,13	-	-	-	-	5,70	6,33	7,40
Monetary base	%	38,8	22,5	10,8	9,9	13,7	19,1	19,2	17,5	17,7	19,6	24,7	29,7	17,1
Money outside banks (M0)	%	32,5	16,0	4,0	1,3	7,8	12,7	19,1	15,2	20,7	25,8	24,7	26,6	16,8
Monetary aggregate (M1)	%	41,2	22,7	16,4	10,2	19,0	27,8	28,2	30,9	50,9	38,1	47,6	47,8	32,0
Narrow money supply (M2)	%	36,5	21,6	16,2	11,4	20,3	27,7	28,6	31,0	47,8	43,9	50,5	54,0	39,4
Money supply (M2X)	%	40,0	29,4	18,7	15,0	22,4	26,0	30,6	31,9	39,9	36,6	39,1	43,3	32,3

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 2026 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.

BIR (Bishkek Interbank Rate) is a market interest rate that serves as an indicator of the cost of money in the short-term segment of the interbank market in the country.

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.

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.

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 operations 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

BIR	Interbank Reference Interest Rate of the Kyrgyz Republic (Bishkek Interbank Rate)
CB	Commercial Banks
CBRA	Central Bank of the Republic of Armenia
CBRU	Central Bank of the Republic of Uzbekistan
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
ECB	European Central Bank
EDB	Eurasian Development Bank
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
HPUI	Housing and Public Utility Infrastructure
HPUS	Housing and Public Utility Services
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
MRR	Mandatory Reserve Requirements
National Bank	National Bank of the Kyrgyz Republic
NBRK	National Bank of the Republic of Kazakhstan
NBT	National Bank of Tajikistan
NSC KR	National Statistical Committee of the Kyrgyz Republic
NFA	Net Foreign Assets
NDA	Net Domestic Assets
OJSC	Open Joint-Stock Company
OPEC +	Organization for Petroleum Exporting Countries
OR	Oil Refinery
PBC	People’s Bank of China
POL	Petroleum, oil, lubricants
RF	Russian Federation
RSI	relative strength index
ST-Bill	State Treasury Bill
ST-Bond	State Treasury Bonds
USA	United States of America
VAT	Value Added Tax
WB	World Bank