КЫРГЫЗ БАНКЫ

Monetary Policy

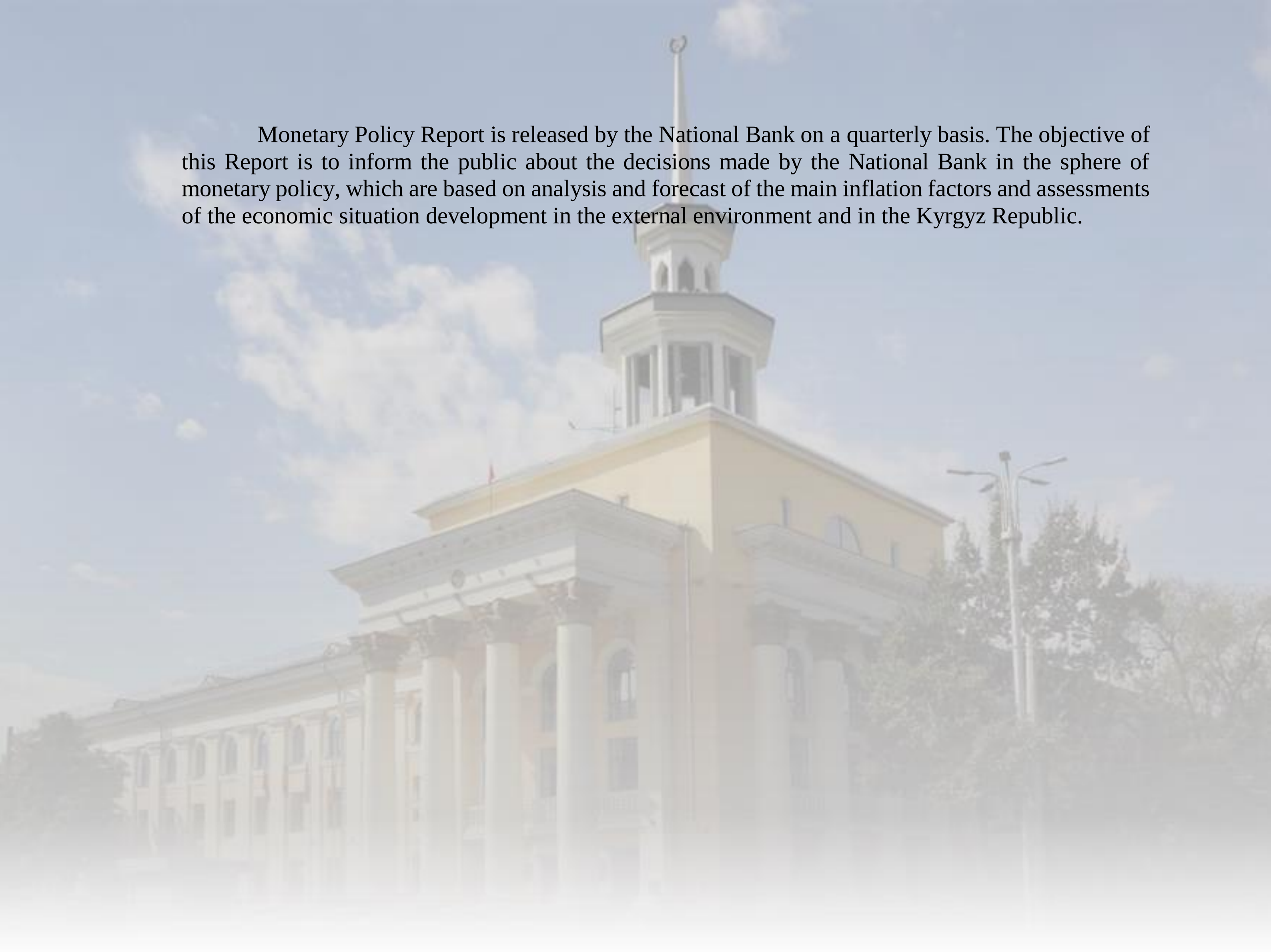
REPORT

Q2 2025

Bishkek

August 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

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.

5-7%

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

[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”).

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.

The schedule of meetings held by the National Bank Board on the size of the policy rate is published on the official website of the National Bank of the Kyrgyz Republic.

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 Q2 2025 was approved by the Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2025-П-07/42-1-(ДКП) dated August 25, 2025.

Contents

Summary

In Q2 2025, the world economic development was uneven, domestic consumption slowed down amid increased uncertainty in the USA and the eurozone, while China showed stable economic growth due to exports. The EAEU countries, as well as Uzbekistan and Tajikistan demonstrated positive economic growth rates supported by domestic demand and investment. Price volatility increased in the world food and commodity markets due to heightened geopolitical risks, while the world prices for gold demonstrated their steady upward trend.

The economy of the Kyrgyz Republic retained high growth rates due to increased investment and consumer activity. At the end of six months of 2025, real GDP increased by 11.4 percent. The sectors of services, construction and industry made the main contribution to real GDP growth. Growth in real incomes of the population, expansion of consumer lending and an increase in cross-border remittances continued to support domestic demand.

The state budget was executed with a surplus of 8.5 percent to GDP due to a significant excess of incomes over expenditures.

In Q2 2025, foreign trade dynamics of the Kyrgyz Republic was characterized by contraction in export supplies by 36.2 percent compared to the same period of the previous year, which, in turn, reflects deterioration of external demand in the main trading partner countries. At the same time, import of goods decreased slightly by 1.5 percent, which indicates sustainable domestic demand for imported goods. Thus, the trade balance deficit increased by 12.3 percent and amounted to USD 2,393.9 million, while the total volume of foreign trade turnover decreased by 9.2 percent and amounted to USD 3,477.6 million.

The inflationary environment in the Kyrgyz Republic was affected by the external factors. The external environment was still under the influence of geopolitical tension and challenges related to change in the trade policies of the world-leading countries. Under these conditions, there was rise in price volatility in the world food and commodity markets and increased inflationary pressure was observed in the countries - trading partners of the Kyrgyz Republic. Moreover, the annual revision of tariffs for electricity continued to influence inflation in the country. In June 2025, the annual inflation rate amounted to 8.0 percent.

Monetary conditions maintained the purchasing power of the national currency and ensured the equilibrium volume of money in the economy. The banking sector continued to function under the conditions of excess liquidity, which conditioned taking active measures for its sterilization. The short-term rates in the money market remained near the lower rate of the interest rate corridor. “Overnight” deposits remained the main instrument to absorb excess liquidity and were in high demand among the market participants. The banking system of the country continued active lending to the main sectors of the economy and building up its resource base.

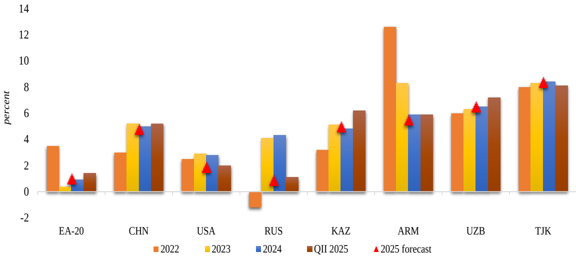
The situation in the domestic foreign exchange market remained stable. The exchange rate remained flexible, its dynamics was conditioned by seasonal factors and market ratio of demand and supply of foreign currency in the domestic foreign exchange market. During the reporting period, the National Bank conducted two foreign exchange interventions 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, EDB

In Q2 2025, there were multidirectional trends of economic development worldwide. In the USA and the eurozone, consumer activity slowed down amid increasing geopolitical uncertainty, while China showed steady growth. The EAEU[1] countries, Uzbekistan and Tajikistan showed positive growth rates mainly due to expansion of domestic demand, investment activity and government support.

The tariff policy of the U.S. president administration still had a significant impact on foreign economic activity. Thus, in Q2 2025, imports to the **USA** decreased by 30.3 percent after significant growth in Q1 (40.1 percent) due to advance accumulation of inventories by businesses in anticipation of increase in tariffs. In contrast, **in China**, exports were the main driver of stable growth by 5.2 percent amid diversifying trade flows. Exports and investment growth also contributed to growth of GDP by 1.4 percent in the **eurozone**. Despite rise in disposable incomes in the USA, decline in the ECB interest rates and fiscal stimuli in China, domestic consumption remained restrained in all these regions.

In July 2025, the IMF adjusted its 2025 forecasts for economic growth in the leading countries upwards: for the USA – by 0.1 p.p., up to 1.9 percent, for the eurozone – by 0.2 p.p., up to 1.0 percent, for China – by 0.8 p.p., up to 4.8 percent.

The economies of the **EAEU countries**, **Uzbekistan and Tajikistan** showed growth amid expansion of domestic demand, public investment and development of sectoral advantages - industry, infrastructure and services.

The highest growth was recorded in Tajikistan primarily resulted from workers' remittances and investments in infrastructure and energy projects. In **Armenia**, economic activity indicator demonstrated sustainability due to expansion of the services sector, particularly in the spheres of information technologies and tourism. Comparable growth was observed in **Uzbekistan**, where development was provided by a significant increase in industrial production, agricultural growth and active investment policy. In 2025, the EDB forecasts the economies of Tajikistan, Uzbekistan and Armenia to grow by 8.4, 6.5 and 5.5 percent, respectively.

The economy of **Russia**, while maintaining upward trend, was characterized by more restrained growth rates. State investment, as well as strengthening of the Russian ruble, remained the key factors of economic development.

Kazakhstan also demonstrated positive dynamics due to sustainable production of oil and gas, large-scale investments in the mining industry and implementation of the infrastructure projects. However, the economies of Russia and Kazakhstan remained sensitive to volatility in the world commodity prices, which continues to pose a significant external risk. However, increased exports and oil production growth may stimulate further growth in these countries. In 2025, the IMF forecasts the economy in Russia to grow by 0.9 percent and in Kazakhstan – by 5.0 percent.

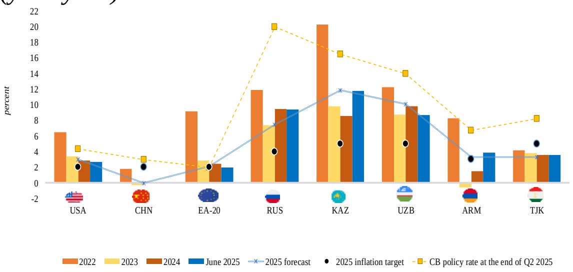
[1] Hereinafter, excluding the Republic of Belarus.

Inflationary Environment in the External Conditions

In Q2 2025, the global economy showed the signs of increasing pro-inflationary risks as a result of geoeconomic developments, meanwhile, generally, there was price stabilization and return to target levels in certain economies.

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 USA,** in June of the current year, the inflation rate was 2.7 percent (in March, the inflation rate was 2.4 percent) reflecting the current US trade policy and prices for imported goods. In the reporting quarter, the US Federal Reserve System continued to conduct its tight monetary policy, keeping the rate unchanged, which was facilitated by the stable situation in the labor market with a low unemployment rate.

In **China**, in turn, the fight against deflation continued, during the quarter the indicator's value fluctuated around zero level. The National Bank continued to conduct stimulating monetary policy in order to reduce the deflationary pressure formed by the weak domestic demand and the real estate market. In the **eurozone**, in June, the annual inflation rate was at the level of the ECB target (2.0 percent).

In **Russia**, tight monetary conditions in the reporting quarter, as well as strengthening of the Russian ruble, contributed to a decline in the inflationary pressure and a decrease of the key rate by the regulator. Generally, high inflation expectations generated pro-inflationary risks in the economy of Russia, meanwhile there was some weakening of domestic demand due to restraining monetary policy.

In Q2, a similar picture was observed in **Uzbekistan**: the inflation rate fell down to 8.7 percent in June. The seasonal decline in prices for fruit and vegetables also supported the reduction of inflationary pressure like in Russia at the end of the reporting period; however, this positive effect was partially offset by the growth of energy tariffs.

At the same time, in June, the inflation rate in **Kazakhstan** accelerated and reached the level of 11.8 percent. Inflation in the services sector and depreciation of the national currency were the key factors affecting the dynamics.

Given that the inflation rate is still far from the targets in the countries under review, it is expected that regulators will continue conducting tight monetary policy.

In **Armenia** and **Tajikistan**, the inflation rate was within the target range (3.9 and 3.6 percent, respectively). Prices in the world commodity markets and stability of the national currencies contributed to such situation. The central banks may conduct the policy of easing monetary conditions in the future since the inflation rate in these countries was to some extent within the target values.

1.2. World Commodity Markets

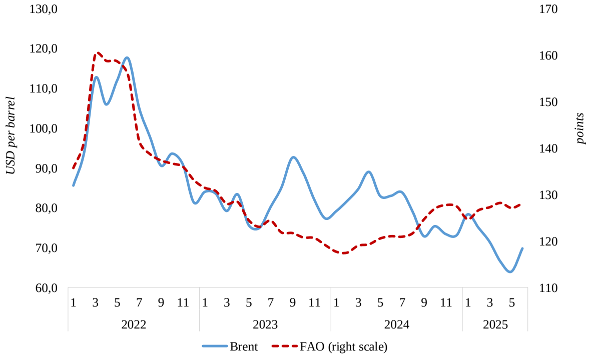
In Q2 2025, the world market showed multidirectional dynamics of prices for petroleum and food products, which formed moderate pro-inflationary pressure from external markets on internal inflationary processes in the Kyrgyz Republic.

Investment demand for gold remains high due to combination of factors, such as instability of the US dollar, the world market forecasts for future interest rates and increased geo-economic uncertainty.

Energy and Food Market

Chart 1.2.1. Dynamics of Prices for Food Products

(month to the corresponding month of the previous year)



In Q2 2025, prices in the oil market demonstrated by high volatility due to the conflict situation in the Middle East, however after its settlement the quotations gradually returned to previous levels.

Starting from the end of Q1 2025, OPEC+ announced plans on gradual increase in oil production and in late May decided to increase oil production output. However, the events occurred in Iran in June of the current year conditioned high volatility in the world oil market to result in upsurge of oil prices, including Brent (an increase of 7.0 percent: from USD 69.4 to USD 74.2 per barrel as of June 13, 2025). Generally, short-term shocks did not affect the dynamics of oil price decline in Q2. The difference between supply and demand caused by OPEC+ oil production decisions will determine further price formation in the commodity market.

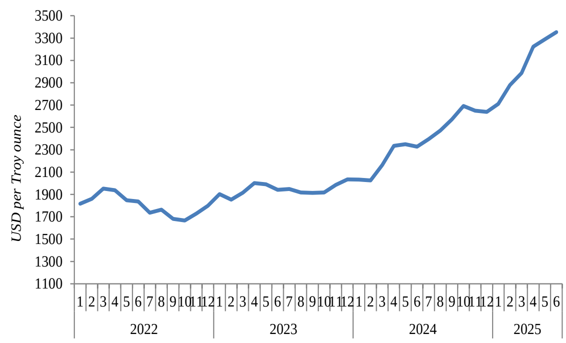
According to the international analysts' forecasts, in 2025, supplies will largely increase amid growth of demand for oil due to lifting of restrictions and growth of production output, therefore, downward pressure on prices is expected.

In June 2025, the FAO Food Price Index continued to increase up to 128.0 points (growth by 5.8 percent in annual terms). Dairy products, meat and vegetable oils made the main contribution to growth under pressure of demand and supply constraints. At the same time, prices for crops and sugar declined, exerting a restraining effect on the FAO index.

Generally, the world food markets retain ambiguous price dynamics conditioned by unfavorable weather conditions in certain regions and trade tensions between some countries.

Gold Market

Chart 1.2.3. Dynamics of Gold Prices



Source: IA Bloomberg

In the first half of 2025, the world gold market showed significant growth in prices. Since the beginning of 2025, the price for the asset increased by 24.3 percent, indicating its attractiveness as a protective asset.

In Q2 2025, a combination of factors such as USD fluctuation, market expectations about the regulators' interest rates in the leading countries and high geo-economic uncertainty provided stable stimulation of high investment demand for gold. However, there was slight slowdown in the rates of growth.

In Q2 2025, the price for gold increased by 6.1 percent, which is noticeably lower than 17.5 percent recorded in Q1 of the current year.

According to the World Gold Council's analysis, the main drivers of the moderate increase in the gold price in Q2 are related to cooling risks, rising opportunity costs and weakening momentum. These factors may have been influential either individually or in combination holding back further growth of price for gold.

At the same time, the central banks have accumulated more than 1,000 tons of gold during each of the last three years, with significantly exceeds the average indicator of 400-500 tons over the previous decade. According to the World Gold Council survey with involvement of 73 central banks, 95.0 percent of respondents expect further increases in the global gold reserves during the next 12 months.

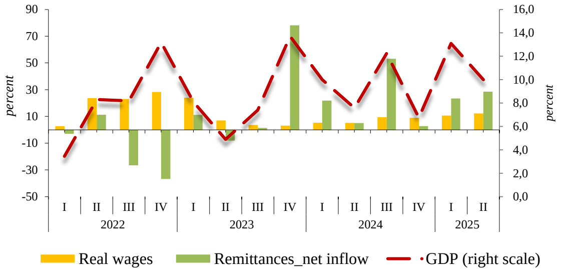
In 2025, Bloomberg IA analysts forecast the world price for gold to be formed at approximately USD 3,280.0 dollars per Troy ounce. In this case, in the second half of 2025, an increase in prices up to 5.0 percent is expected in the base scenario of the World Gold Council. However, growth may accelerate up to 10.0-15.0 percent if the economic and financial situation worsens. Settlement of international conflicts, on the contrary, may result in decline in price for gold by 12.0-17.0 percent.

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

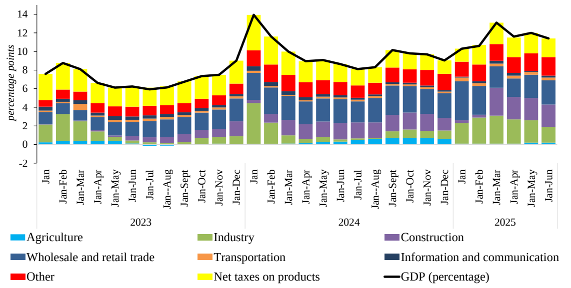
(quarter to the corresponding quarter of the previous year)



Source: NSC KR, calculations: NBKR

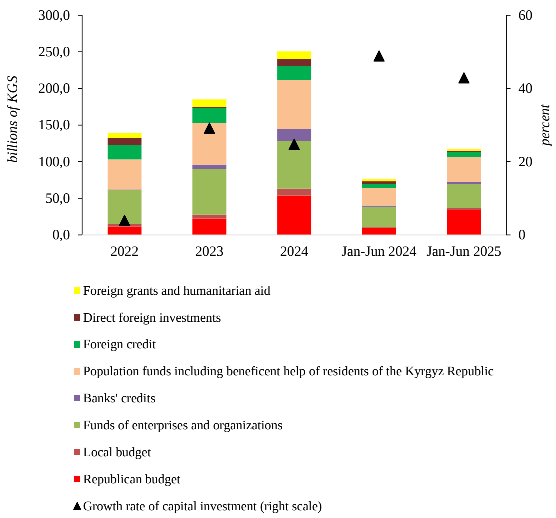
Chart 2.1.2. Input of Main Sectors to GDP Growth

(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



Source: NSC KR

Under the conditions of increased geopolitical uncertainty worldwide, the economy of the Kyrgyz Republic relied on the internal sources of growth such as infrastructure investments and sustainable growth in consumer demand amid rise in incomes of the population.

At the end of the first half of 2025, the Kyrgyz Republic demonstrated the highest real GDP growth by 11.4 percent among its main trading partners.

Expansion of production output in the industrial sector, which conditioned positive impact on related sectors, including trade and transport, as well as maintenance of high performance in the services and construction sectors were the key factors in accelerating economic growth. Growth rates stood at 9.8 percent in industry, 9.4 percent in services sector and 42.5 percent in construction.

In addition, net taxes on products contributed positively to economic growth by 2.0 p.p. due to increased tax revenues to the budget.

The current reduction in the registered unemployment rate down to 1.6 percent as of July 1, 2025, as well as increased real incomes of the population due to growth of real wages and net inflow of remittances from the individuals stimulated domestic consumer demand. However, sustainable dynamics in consumer expenditures may generate increased inflationary pressure in the country.

Moreover, expansion of lending by the banking sector supported the growth of consumer and investment activity in the country. The volume of consumer lending[1] increased in nominal (by 2.1 times) and real terms indicating positive credit impulse that supported economic activity.

Implementation of the infrastructure projects and housing construction, as well as through measures taken by the Cabinet of Ministers of the Kyrgyz Republic, contributed to expansion of construction activity throughout the country. An increase in capital investment by 42.9 percent was the driver of construction

[1] New credits.

growth in the economy. Growth of internal sources of financing (+54.6 percent) contributed to an increase in capital investment compared to January-June 2024, while the volume of external sources, on the contrary, decreased (-17.3 percent).

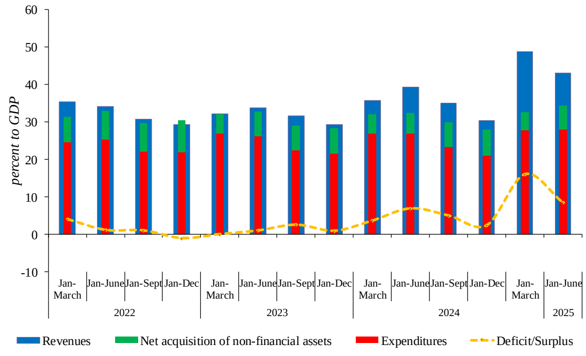
In addition, there was an increase by 69.9 percent in new mortgage credits issued by the banks, which also stimulated growth in the real estate transactions.

The trade sector maintained positive dynamics facilitated by growth in the turnover of food and non-food products. There was also a noticeable acceleration in the dynamics of services provided by the hotels and restaurants (+31.0 percent), which indicated growth in the tourist and business activity in the country, along with active development of the tourist infrastructure.

Public Finances Sector

Chart 2.1.4. Execution of the State Budget

(period to the corresponding period of the previous year)



Source: CT MFKR

The state budget balance improved significantly amid high tax revenues and customs duties. Thus, the overall balance was formed with a surplus of 8.5 percent to GDP for six months of 2025. Outstripping growth of tax revenues was the key factor in strengthening the fiscal position.

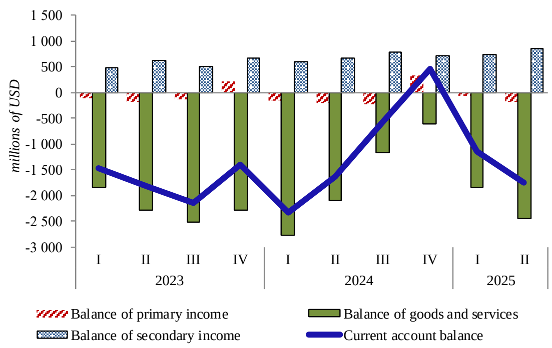
In particular, at the end of the first half of the year, the reforms implemented in the tax and customs spheres contributed to an increase in tax revenue collection by 24.7 percent compared to the same period in 2024.

At the same time, there was a significant increase in expenditures. Total expenditures increased by 31.8 percent in annual terms. At the same time, total costs to GDP showed a slight increase from 25.5 up to 28.1 percent.

2.2. External Sector[1]

Generally, in Q2 2025, expansion of the current account deficit was conditioned by deterioration of the "goods and services" balance due to deepening of the trade balance deficit and transition of the balance of services from the positive to the negative zone.

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 Q2 2025, the negative balance of the current account amounted to USD 1,758.8 million or 16.1 percent to GDP[2].

In the observed period, the trade balance deficit increased by 12.3 percent, up to USD (-) 2,393.9 million primarily, which was mainly explained by high base on export of goods in the comparable period of 2024, while the decline in import deliveries was insignificant and could not considerably

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

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

mitigate the impact of falling export earnings on the trade balance.

Exports of goods (in FOB prices) decreased by 36.2 percent and amounted to USD 541.9 million. In the reporting period, the volume of exports were mainly affected by the decline in supplies of gold (non-monetary), silver, articles of apparel, kerosene, vegetables, fruits and nuts, live animals, knitted and cotton fabrics, as well as non-ferrous base metal waste and scrap. Exports excluding gold slumped by 28.2 percent and developed in the volume USD 418.8 million. Exports were supported by supplies of ores and concentrates of precious metals, electrical apparatus for line telephony or line telegraphy, sugar, molasses and honey, coal, coke and briquettes, gasoline, as well as, articles of plastics for the conveyance or packing of goods.

At the same time, import of goods (in FOB prices) diminished by 1.5 percent and amounted to USD 2,935.8 million. The negative trend of imports was generally conditioned by a decrease in the supplies of needles, furniture, bases and covers for sewing machines and their parts, parts of the dishwashing machines (other than household-type), parts for office machines and automatic data-processing machines, not included in other categories, gas oil, kerosene, articles of apparel, knitted or crocheted fabrics, essential oils and cleansing preparations. During the reporting period, imports of energy products decreased by 14.1 percent and amounted to USD 286.0 million, at the same time import of fuels and lubricants declined primarily owing to reduction in contract prices of supplies, while physical volumes of supplies conditioned reduction in import of electricity.

In the reporting quarter, the structure of the secondary income balance almost entirely formed by inflows on the item “workers’ remittances”, which indicated high concentration and significance of this component.

Sustainable expansion of individuals’ cross-border remittances (an increase by 30.8 percent) was an important factor in maintaining the positive dynamics of net inflows on the item “workers” remittances”. The negative balance of the general government sector was conditioned by the need to pay quarterly membership fees of the Kyrgyz Republic to the international organizations and the absence of grant support from the development partners.

At the same time, according to preliminary estimates, the balances of services and primary income formed in the deficit zone and amounted to USD (-) 57.4 million and USD (-) 176.3 million (deterioration by 1.8 times and improvement by 14.9 percent), respectively.

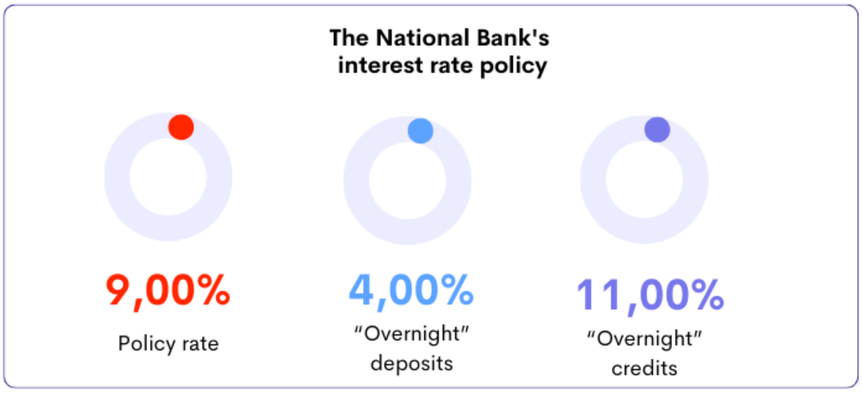
Financing on the capital account decreased by 13.8 percent compared to Q2 2024 and amounted to USD 37.6 million.

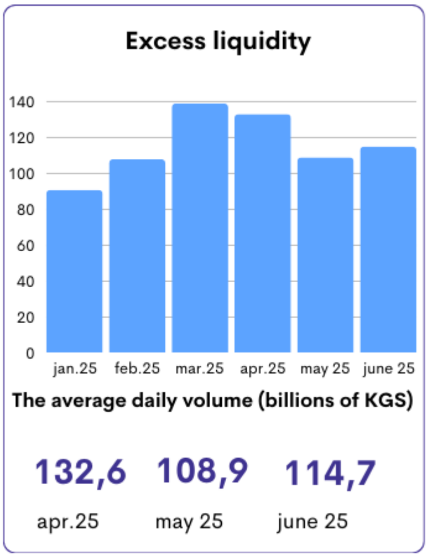
In Q2 2025, according to preliminary forecast data of the National Bank, the financial account will be formed by increasing private sector liabilities to non-residents in the form of other investments, as well as inflows from portfolio investments.

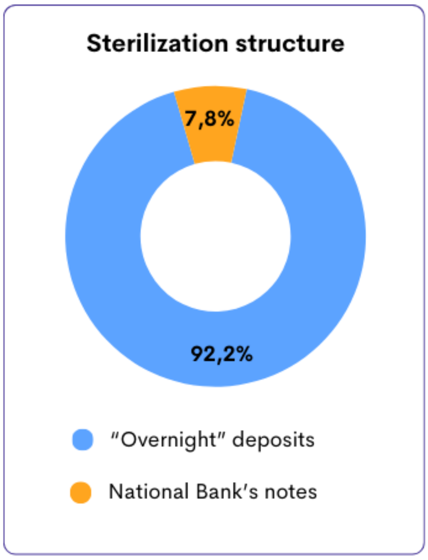
Thus, according to preliminary outcome of Q2 2025, the balance of payments of the Kyrgyz Republic is expected with a negative balance of USD (-) 335.0 million.

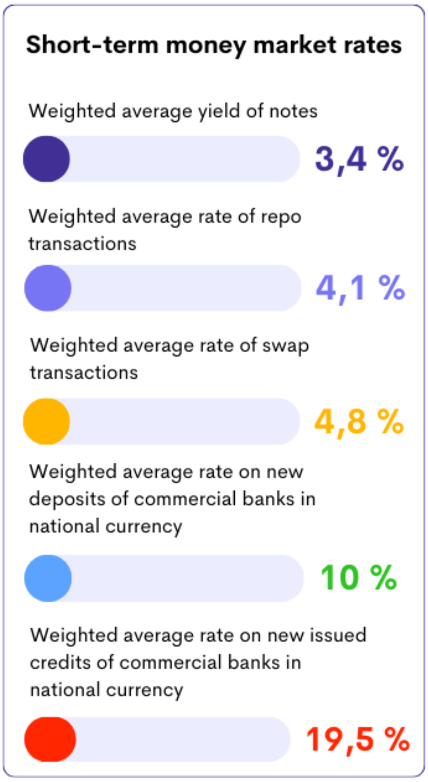
Chapter 3. Monetary Policy

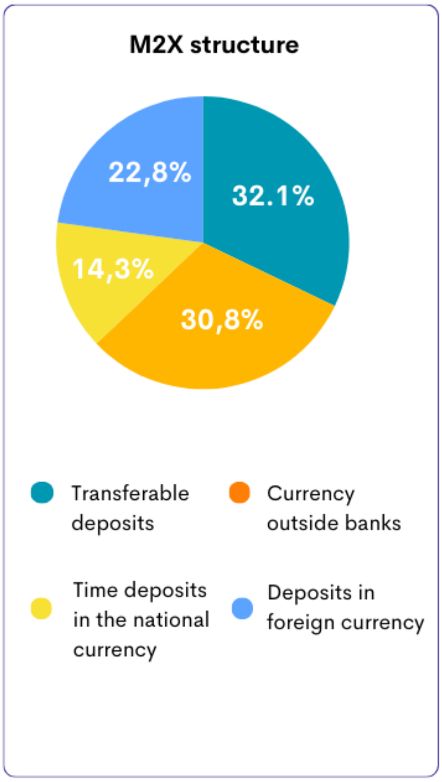
Key Trends











When developing monetary policy, the National Bank of the Kyrgyz Republic relies on the results of model-based calculations and the analysis of various economic growth scenarios in the medium term. The forecast is made taking into account maximum possible consideration of current period shocks and preconditions, as well as based on expert assessments and forecasts of the world research agencies and institutions.

According to the baseline scenario of the National Bank's previous forecast, inflation was expected to remain within the medium-term target range of 5-7 percent until the end of 2025. These forecasts took into account trends in the economic situation in the main trading partners of the Kyrgyz Republic, including price fluctuations in the world food and petroleum product markets. Domestic economic stability was supported by factors such as increased demand, rising prices for housing and public utility services, the implementation of public and private projects in various sectors of the economy, rising prices for educational services, and moderate inflation expectations among economic agents.

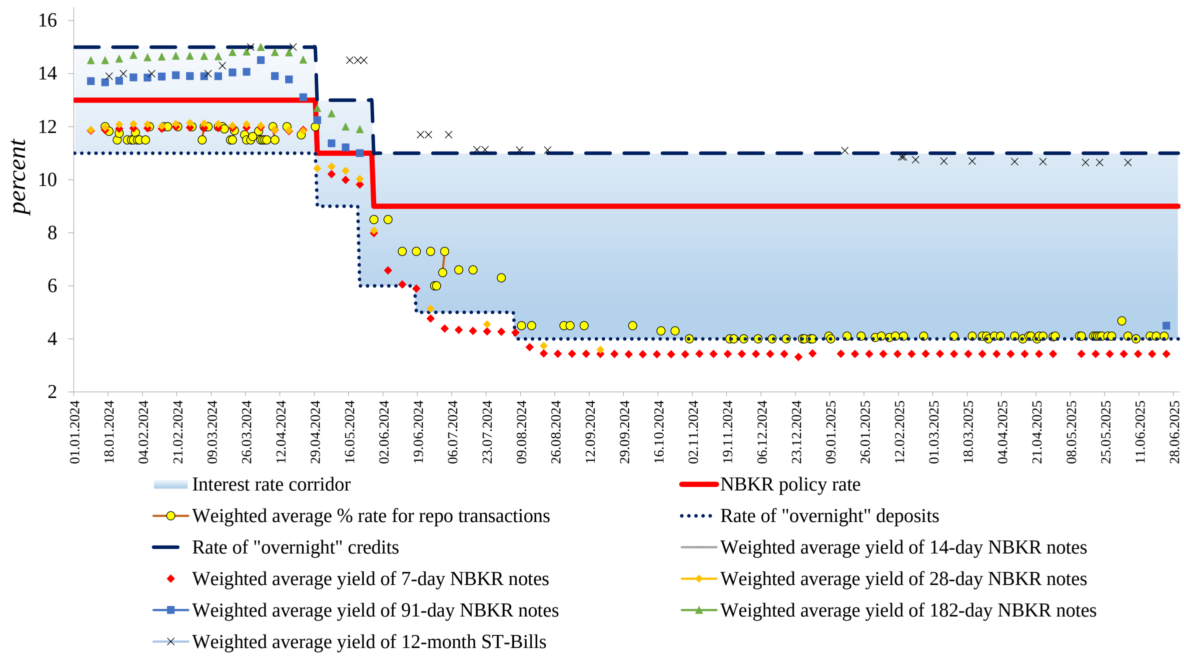
Under these conditions, the National Bank implemented a monetary policy aimed at maintaining price stability during Q2 2025. The decisions on the policy rate, made on April 28 and May 26 of the current year, were based taking into account the inflation trajectory and its potential drivers. These included increased domestic demand, high uncertainty due to volatility in global food markets, geopolitical tensions, and increasing protectionist trends in the world trade.

3.1. Dynamics of Short-Term Money Market Interest Rates

Short-term interest rates in the money market were formed in accordance with the trajectory of the National Bank's policy rate, demonstrating slight upward trend.

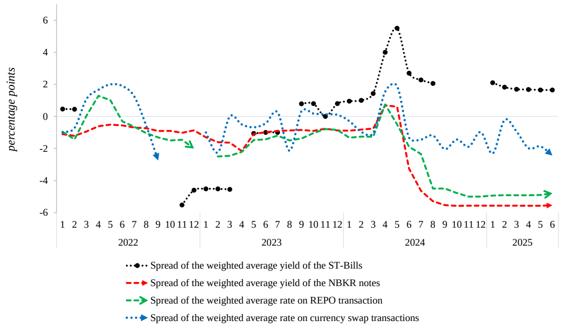
In April and May 2025, the decisions of the National Bank's Board on keeping the size of the policy rate and the interest rate corridor rates unchanged were generally in line with market participants' expectations. These expectations were supported by ongoing high uncertainty in the external environment due to intensifying of geopolitical factors.

Chart 3.1.1 Interest Rates of the Money Market



There was spread narrowing in the notes and REPO transactions market, while the SWAP segment demonstrated expansion.

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



The average spread of the interest rates in the notes market slightly decreased relative to the policy rate, amounting to (-)5.56 percent (in the previous quarter, (-)5.57 percent).

The resumed issuance of 91-day notes contributed to a narrowing of the spread and an upward shift in the overall yield of the National Bank's notes. As a result, the weighted average yield was formed at 3.44 percent, up from 3.43 percent in the previous quarter.

Participants of the interbank credit market on REPO terms demonstrated significant growth of activity. The volume of transactions in this segment grew by 2.3 times to result in gradual growth of yield. The weighted average yield increased from 4.08 percent in the previous quarter up to 4.21 percent by the end of Q2 2025. The average spread narrowed to (-) 4.87 percent during the quarter (in Q1 2025 – (-)4.92 percent).

Moreover, decline in the yields on 12-month ST-Bills contributed to spread narrowing to (+)1.66 percent (in the previous period - (+)1.87 percent).

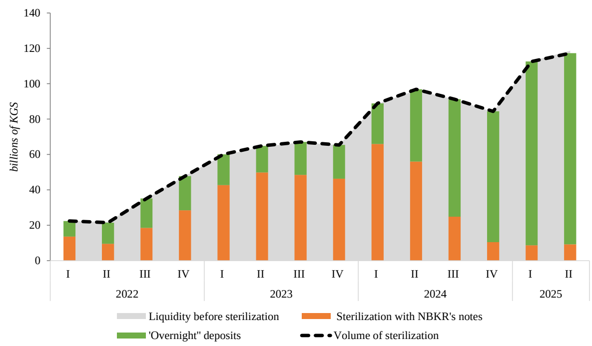
The spread widened to (-)2.10 percent (in Q1 2025 – (-)1.16 percent) amid decline of average yield in the interbank market of foreign exchange SWAP transactions. During the period, the weighted average yield ranged from 6.56 to 7.13 percent (in the previous period – from 6.69 to 8.06 percent).

Liquidity in the banking sector

The banking system of the country operated under the conditions of liquidity surplus, affecting the activity of the money market participants and the dynamics of short-term interest rates. At the same time, there was slowdown in the growth rate of excess reserves compared to the previous periods.

The average daily volume of excess reserves amounted to KGS 118.7 billion, an insignificant increase of 5.2 percent compared to the previous quarter (growth by 23.2 percent in annual terms). Generally, the commercial banks' transactions on cashing out monetary funds conditioned slowdown in the growth rate of excess liquidity in the banking system (cash in circulation increased by 13.9 percent compared to the previous quarter, in Q1 2025 – growth by 0.5 percent). In addition, the fiscal sector had a restraining effect on the growth of liquidity. During the quarter, the dynamics of excess reserves was multidirectional: from April till May, there was a downward trend, however, increase was observed in May.

Chart 3.1.3. Dynamics of Excess Liquidity, Structure of Sterilization



In order to prevent monetary factors from contributing to inflation, the National Bank continued to actively conduct sterilization operations. As before, the main instruments for liquidity absorption were "overnight" deposits, which accounted for 92.2 percent of the total sterilization, and National Bank's notes, with a share of 7.8 percent.

In the reporting quarter, under the conditions of stable liquidity of the commercial banks, "overnight" credits of the National Bank were not in demand.

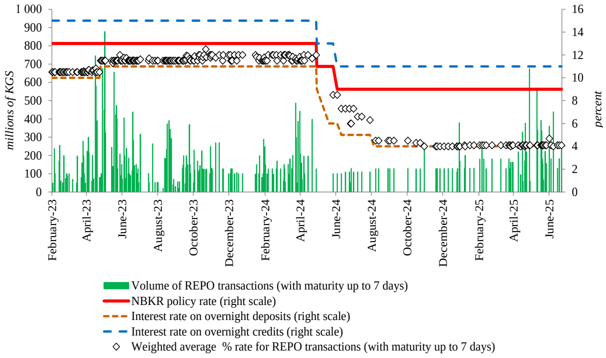
In addition, the credit auction for the purpose of refinancing banks, held in June for the the amount of KGS 1.0 billion, was declared failed due to a lack of demand. These factors contributed to maintaining low volatility of money market rates and the formation of borrowing costs near the lower bound of the interest rate corridor during the reporting quarter.

3.2. Transactions in the Interbank Money Market

Interbank Credit Market

In Q2 2025, the interbank credit market demonstrated higher activity of the market participants in the segment of REPO transactions compared to the previous period.

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

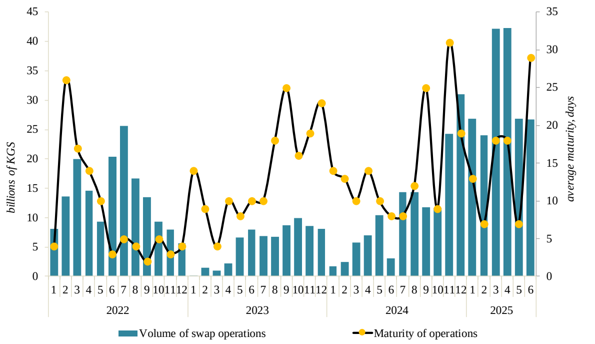


Participants of the interbank credit market on REPO terms were more active compared to the previous quarter. The volume of transactions in this segment increased by 2.3 times and conditioned growth of the weighted average yield from 4.08 percent in the previous quarter up to 4.21 percent by the end of Q2 2025. In the reporting period, the weighted average term of loans increased up to nine days (+1 day) compared to the previous quarter. Transactions were conducted mainly on pledge of ST-Bonds.

Interbank Foreign Exchange Market

Overall, activity in the **interbank foreign exchange swap transactions market** slightly increased compared to the previous quarter. Commercial banks concluded transactions with an average term of 18 days to attract liquidity in the currency required to conduct their operating activity.

Chart 3.2.2. Dynamics of Swap Transactions



The dynamics of swap transactions in the structure of currencies was as follows. Under the conditions of high level of the banks' available excess liquidity in the national currency, the volume of transactions to attract KGS liquidity decreased by 31.3 percent (growth by 2.4 times in annual terms). In contributed to a decrease of the interest rates in the swap foreign exchange market. Relative stability in the domestic foreign exchange market of the country also served as an indirect factor for a decrease of the interest rates. The absence of sharp shocks reduced the need for the banks to hedge currency risks amid general market expectations.

Market of the National Bank's Notes

In Q2, the supply and sales indicators increased compared to the previous quarter in the market of the National Bank's notes.

During the reporting quarter, the total weighted average yield of **notes** slightly increased (from 3.43 percent in the previous quarter up to 3.44 percent in the reporting period), primarily due to resumed issue of notes with longer maturity – 91 days (since October 2024, the National Bank offered only 7-day notes). The second factor was a decrease in the market participants' demand for notes, as the rate on "overnight" deposits was more attractive for the banks.

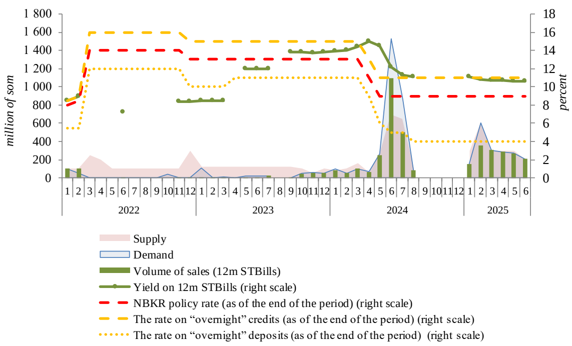
In Q2 2025, the supply and sales of the National Bank's notes increased up to KGS 121.0 billion (+10.0 percent) due to additional auction being held compared to the previous quarter. In the reporting period, the National Bank traditionally placed notes with 7-day maturity and small volumes of notes with 91-day maturity at the auctions.

Government Securities Market

In Q2 2025, the government securities (GS) market was represented by the securities of all maturities, excluding 20-year securities. Long-term ST-Bonds with 15-year maturity 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

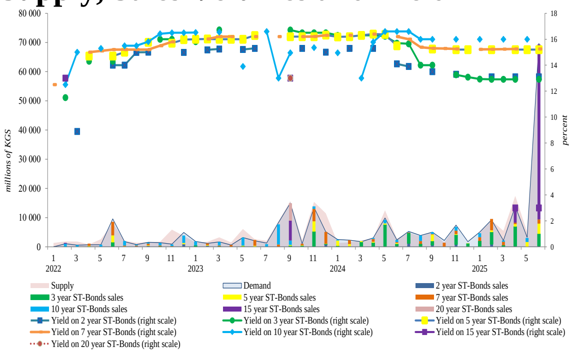
Chart 3.2.3. ST-Bills Market Indicators



In Q2 2025, the volume of ST-Bills sales including additional placement decreased by 6.6 percent compared to Q1 2025 and amounted to KGS 0.8 billion. Decrease in the volume of GSs purchase insignificantly affected the weighted average interest rate, which amounted to 10.7 percent, having decreased by 0.1 p.p. compared to Q1 2025.

ST-Bonds

Chart 3.2.4. Dynamics of ST-Bonds Supply, Sales Volumes and Yield



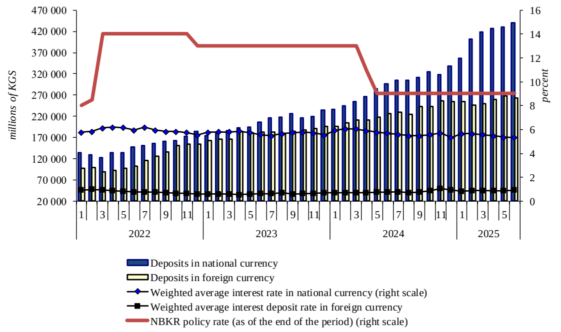
In Q2 2025, the ST-Bonds market was represented by the securities of 2-15-year maturities. There was decrease in the total weighted average yield.

The volume of sales at the platforms of the National Bank and CJSC "KSE" increased by 5.3 times, up to KGS 86.5 billion mainly due to placement of 15-year securities with the interest rate of 3.0 percent. As a result, the weighted average yield decreased by 3.6 p.p. compared to Q1, down to 10.5 percent.

Deposit Market

The commercial banks' deposit base showed growth in the national and foreign currencies.

Chart 3.2.5. Dynamics of Commercial Banks' Deposits

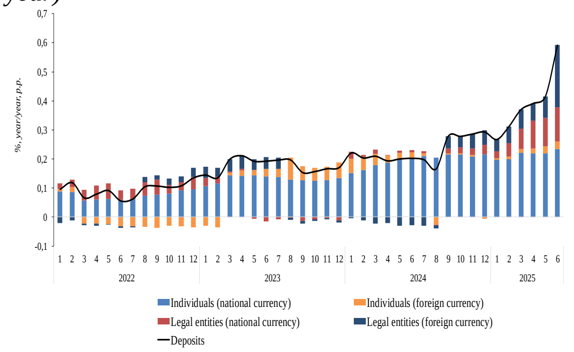


At the end of Q2, the banks' total deposit amounted to KGS 704.2 billion, having increased by 5.3 percent during the quarter. The growth of the deposit base was due to an increase in deposits in the national (+5.4 percent, KGS 440.8 billion) and in foreign currency (+5.2 percent, KGS 263.4 billion).

The growth of the deposit base in the national currency compared to the end of Q1 2025 was primarily conditioned by an increase in demand deposits by 25.1 percent (up to KGS 110.8 billion), as well as by growth of time deposits by 7.8 percent (up to KGS 139.0 billion), while deposits on settlement accounts decreased by 4.9 percent (KGS 191.0 billion).

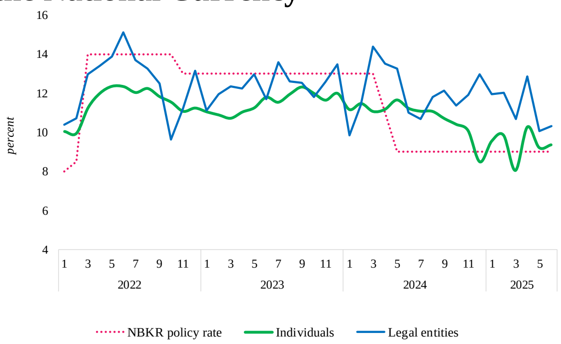
Chart 3.2.6. Growth Rates of Time Deposits

(month to the corresponding month of the previous year)



In Q2, noticeable acceleration in the growth rates of individuals' and legal entities' time deposits (+59.1 percent in annual terms) resulted from significant increase in legal entities' deposits in the national and foreign currencies. Generally, individuals' deposits in the national currency demonstrated more moderate, but stable growth. In aggregate, it resulted in maximum acceleration of the annual growth of time deposits during the reporting period, especially in June, when the corporate sector made a key contribution to the expansion of time deposits in annual terms.

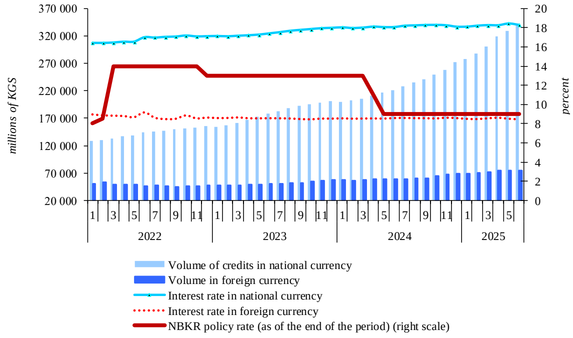
Chart 3.2.7. Interest Rates on Deposits in the National Currency



Conducted monetary policy contributed to maintaining the attractiveness of deposit instruments and stimulated the inflow of funds into the banking system. The commercial banks adjusted their interest rates on deposits compared to the previous quarter: the yield on deposits for individuals was increased and for legal entities – decreased. Thus, the weighted average interest rates on time deposits for the individuals and legal entities remained above the policy rate, reflecting their sensitivity to the National Bank's policy rate. Under these conditions, the individuals and legal entities made the main contribution to the growth of the deposit base increasing the volumes of deposits in the national and foreign currencies to ensure acceleration in overall growth of time deposits in Q2 2025.

Credit Market

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

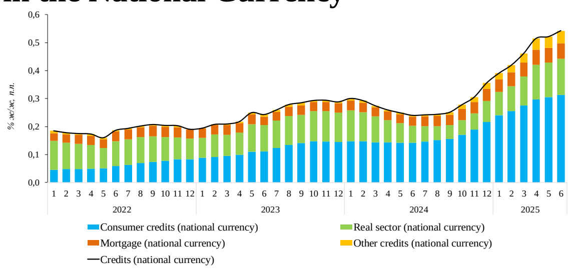


In Q2 2025, active lending to the economy continued.

At the end of Q2 2025, the banks' credit portfolio increased by 12.2 percent during the quarter and amounted to KGS 416.9 billion. Generally, growth of credits in the national currency by 13.8 percent, up to KGS 341.8 billion, conditioned an increase in the credit portfolio.

In Q2, growth of credits issued in the national currency was conditioned by an increase of consumer credits (+18.7 percent), mortgage credits (+8.9 percent), and credits issued for trade and commercial operations (+8.0 percent). The credit portfolio in foreign currency increased by 5.7 percent compared to Q1 2025, up to KGS 75.1 billion. "Trade and commercial operations" were the main sectors of lending in foreign currency with the share of 57.9 percent. The volume of lending in these sectors increased by 8.9 percent compared to Q1 2025. Moreover, the sectors of agriculture (+18.7 percent) and mortgage (+5.4 percent) showed positive dynamics.

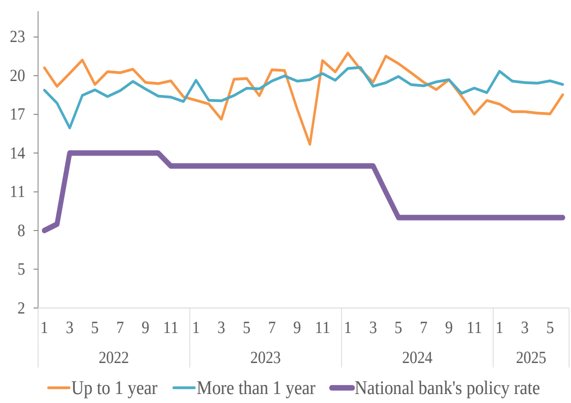
Chart 3.2.9. Contribution of Lending Sectors to Growth of the Credit Portfolio in the National Currency



The banks' credit portfolio in the national currency grew by 54 percent during the year. The demand for consumer credits still remains high. Consumer credits, followed by the credits to the real sector (business) and mortgages, made the largest contribution to this growth.

At the same time, the credit portfolio in the national currency showed positive dynamics during the first half of 2025 due to ongoing activity of the households and enterprises. Such expansion contributed to acceleration of the domestic demand, however it formed inflation risks in the medium term.

Chart 3.2.10. Weighted Average Interest Rates on New Credits in the National Currency with Maturity up to 1 Year and over 1 Year and the Size of the NBKR's Policy Rate at the End of Month



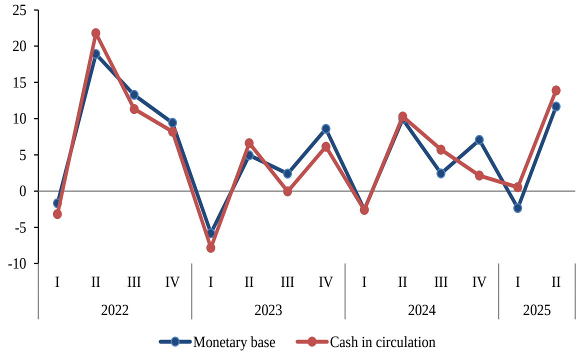
The retention of the policy rate coupled with government support for providing subsidized credits, particularly for agriculture, contributed to a decrease in the overall weighted average interest rate on credits in the national currency (from 19.70 percent to 19.46 percent). In addition, the sector of lending to industry showed significant reduction.

In the reporting quarter, dollarization of the economy demonstrated stable decline. Dollarization of the credit portfolio amounted to 18.0 percent (at the beginning of 2025, 20.1 percent), while the corresponding indicator of the deposit base was formed at 37.4 percent compared to 42.9 percent at the beginning of the year.

3.3. Dynamics of Monetary Base and M2X Aggregate

Chart 3.3.1. Growth of Monetary Base and Cash in Circulation

(quarter to the previous quarter)



In the reporting period, growth in the monetary base by 11.7 percent compared to the previous quarter was primarily conditioned by an increase in cash in circulation due to seasonal factors amid increased agricultural, tourism and general consumer activity. The commercial banks' funds on the correspondent accounts, being the second component of the monetary base, decreased slightly (by 0.25 percent) due to the need for the banks to redirect part of their funds to meet mandatory reserve requirements, which, in turn, is a standard procedure to maintain financial stability.

Net foreign assets channel, mainly due to accumulation of the international reserves, and the credit channel were the main sources of an increase in money supply in the economy. Net foreign assets increased by 17.6 percent compared to the previous period (61.7 percent in annual terms), while credits increased by 12.8 percent (49.3 percent in annual terms). The fiscal channel still made negative contribution to growth in money supply. However, the intensity of liquidity withdrawal decreased due to rise in the banks' claims on the state administration bodies in respect of the government securities.

Chapter 4. Inflation Dynamics

4.1. Consumer Price Index

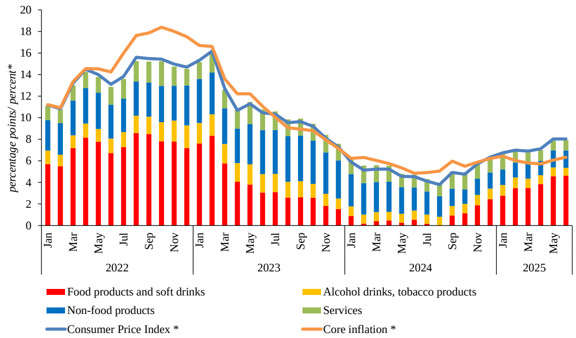
In Q2 2025, inflation accelerated up to 7.7 percent compared to 6.9 percent in Q1 (quarter-on-quarter). In June 2025, the annual inflation rate was 8.0 percent.

Generally, inflation dynamics suffered the influence of the external factors. External pro-inflationary factors include volatility in the world prices in the petroleum products and food markets, deterioration of geopolitical environment worldwide, including the world trade policy, and relatively high inflation in the trading partner countries.

Internal factors affecting price movement include revision of the tariff policy (an increase in regulated tariffs for electricity and heat energy), steady growth in domestic demand (including due to growth of wages; implementation of the state, private and investment projects, and expansion of the government expenditures and lending).

Chart 4.1.1. Dynamics of Inflation, Core Inflation and CPI Structure

(month to the corresponding month of the previous year)



In June 2025, food inflation reached 10.2 percent in annual terms (the contribution to the annual CPI growth was 4.6 p.p.). Increase in prices for the commodity group “meat” and “fruit and vegetable” made significant contribution (the contribution to the annual CPI growth was 1.8 and 1.5 p.p., respectively, an increase by 17.2 and 22.3 percent, respectively). Prices for meat increased under the influence of growing external demand and seasonal decline in supply.

Prices for vegetable products in the commodity group “fruit and vegetables” rose significantly (in June – 35.4 percent in annual terms) due to exhaustion of last year’s harvest reserves and delays in the supplies of new harvest to the market, as well as the effect of low statistical base in the same period of the last year.

In May-June of the current year, there was acceleration in prices after relative stability in the growth rates of prices for non-food products during recent months. This is primarily due to implementation of decisions in the area of the state tariff policy. In June, prices for non-food products increased by 5.5 percent (June 2025 against June 2024) (the contribution to the annual CPI growth was 1.6 p.p.).

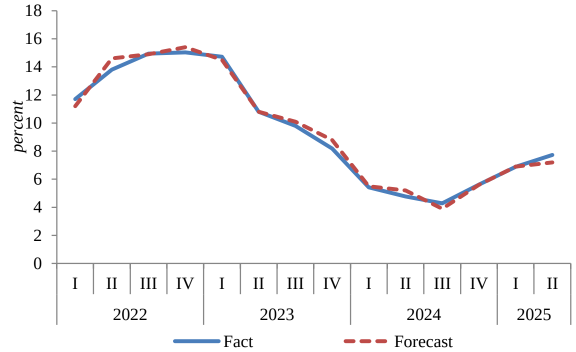
In June, prices for services grew by 5.6 percent. At the beginning of the quarter, the growth rates of prices in this group slowed down, however, they slightly accelerated by the end of the reporting quarter. Inflation in this group was conditioned by the seasonal factors and indirect impact of an increase in administrative prices. The growth rates of prices for education, healthcare, and leisure, entertainment and cultural services remained moderate.

Core inflation, which excludes certain types of food products that are subject to seasonal fluctuations and regulated tariffs, also showed acceleration, however it remained within the medium-term monetary policy target. In June 2025, the core inflation value stood at 6.3 percent in annual terms.

4.2. Comparison of Forecast and Facts

Chart 4.2.1. Actual and Forecasted CPI Values

(quarter to the corresponding quarter of the previous year)



At the end of Q2 2025, the actual inflation rate was formed above the National Bank's forecast. Deviation of the actual inflation rate from the forecasted level was 0.5 percentage points.

Inflation Expectations

In Q2 2025, according to the surveys of the NSC KR, inflation expectations of the population declined compared to the previous quarter (Chart 4.2.2). In Q2 2025, price expectations of the enterprises remained unchanged compared to the level of the previous quarter and were formed below the actual inflation rate, as shown in Chart 4.2.6.

In Q2 2025, price expectations of the population decreased compared to the previous quarter and were formed at the level of the actual inflation rate. The share of respondents expecting moderate growth in prices decreased compared to the previous quarter due to an increase in the share of respondents who did not expect any changes in prices.

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

(quarter to the corresponding quarter of the previous year)

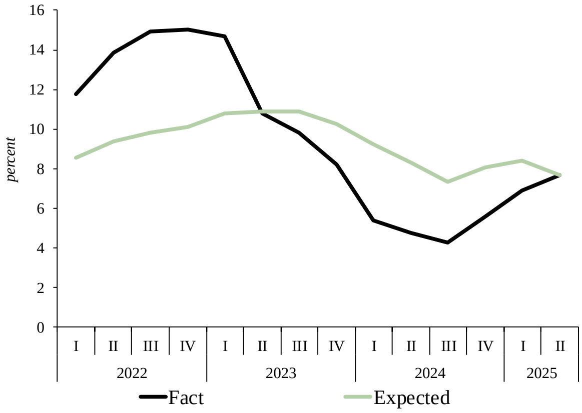
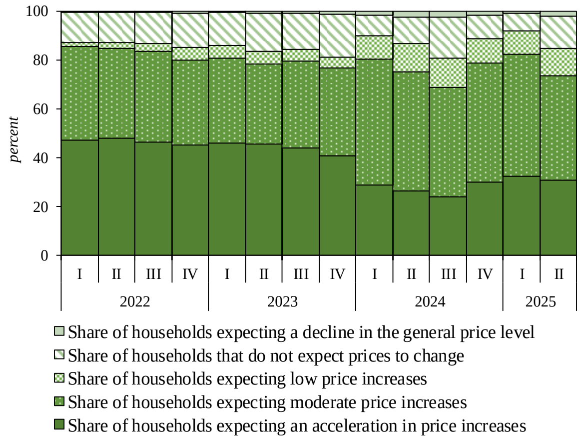


Chart 4.2.3. Distribution of Households' Answers

(shares)



At the end of Q2 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 decrease in households' inflation expectations compared to actual inflation, which remained unchanged compared to the level of the previous month after a slight increase in May. The share of respondents expecting moderate growth of prices increased slightly compared to the previous quarter.

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

(month to the corresponding month of the previous year)

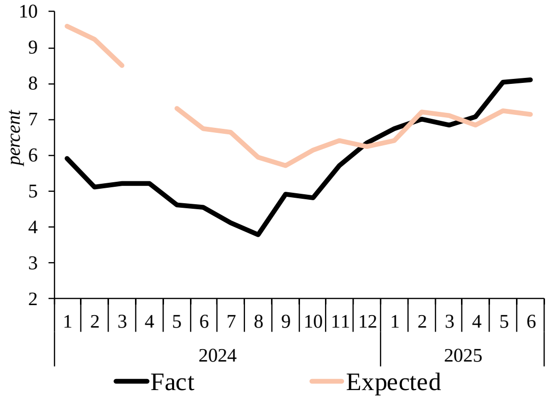
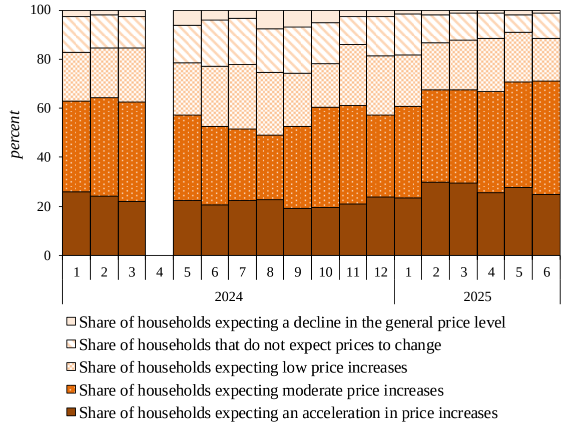


Chart 4.2.5. Distribution of Households' Answers (WB)

(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.

At the end of Q2 2025, inflation expectations of the enterprises were also formed below the actual inflation rates, remaining at the level of the previous quarter.

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

(month to the corresponding month of the previous year)

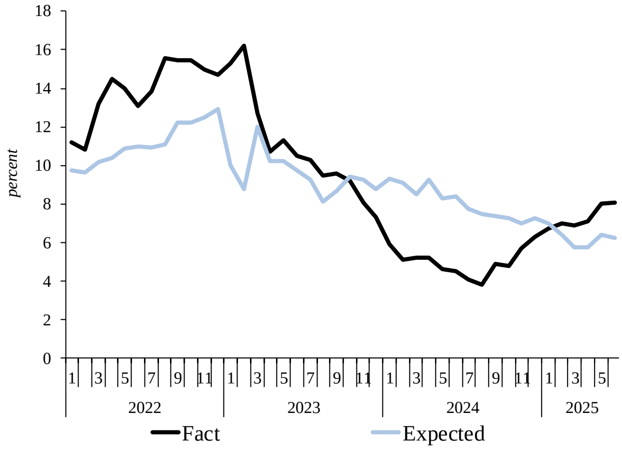
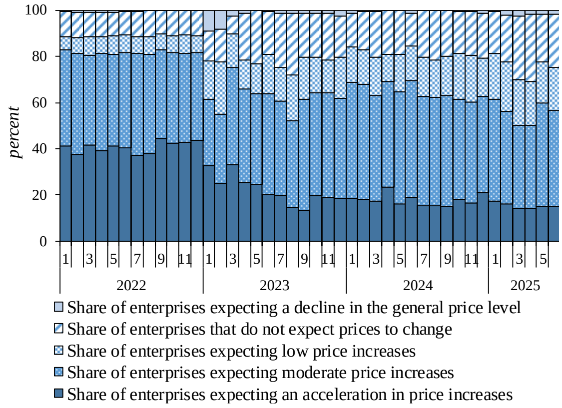


Chart 4.2.7. Distribution of Enterprises' Answers

(shares)



Chapter 5. Medium-Term Forecast

5.1. Medium-Term Forecast

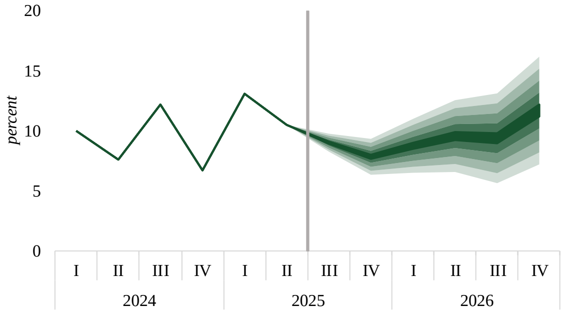
When developing monetary policy, the National Bank of the Kyrgyz Republic relies on modeling results and analyses of various economic growth scenarios in the medium term. Forecasting is made taking into account as many shocks and preconditions of the current period as possible, as well as based on expert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

The baseline scenario of the medium-term forecast takes into account the following external economic development conditions: persistent pro-inflationary factors in the external environment, moderate economic growth in the main trading partner countries, and volatile price dynamics in the world commodity markets. Domestic factors of economic development assume stable and upward economic growth, forming moderate inflation expectations among the population and enterprises.

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.

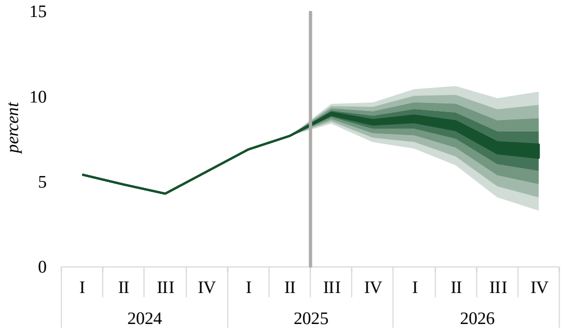
Chart 5.1.1. Forecast of Real GDP
(quarter to the corresponding quarter of the previous year)



In Q2 2025, business activity in the Kyrgyz Republic showed strong results. Ongoing growth in real incomes of the population, consumer lending and net inflow of remittances to the country in annual terms contributed to increased domestic demand.

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 is estimated at approximately 9.5 percent. This growth will be supported by the manufacturing industry, wholesale and retail trade, as well as the construction sector, demonstrating strong growth due to the fiscal policy measures and observed high activity of the business entities. In 2026, the real GDP growth rates are forecasted at 8.5 percent.

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



Current price movement in the Kyrgyz Republic is conditioned by the impact of external conditions amid ongoing geopolitical risks and changes in the balance of supply and demand in the domestic market, which accelerated inflationary processes in the republic since the end of Q2 2025.

Thus, by the end of 2025, the inflation rate is estimated at approximately 8.5-9.0 percent exceeding the upper limit of the inflation target. These estimates take into account the impact of pro-inflationary risks in the external environment, acceleration of food inflation due to temporary factors driving up prices for certain types of goods, growing economic activity, and changes in the state tariff policy in respect of electricity and utilities. At the same time, transfer of external inflationary trends to the domestic market through the prices for imported goods and raw materials will be the main driver of inflation.

Domestic factors are expected to put additional pressure on inflation due to increase 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, ahead of the new academic year, the higher education institutions of the country raise tuition fees, which will affect inflation in September. At the same time, the inflation expectations of the population and enterprises in Kyrgyzstan will contribute moderately to inflation.

Under such conditions, the monetary policy conducted by the National Bank will be focused on returning the inflation rate to its medium-term quantitative target by the end of 2026. 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, and moderate inflationary expectations of the economic agents.

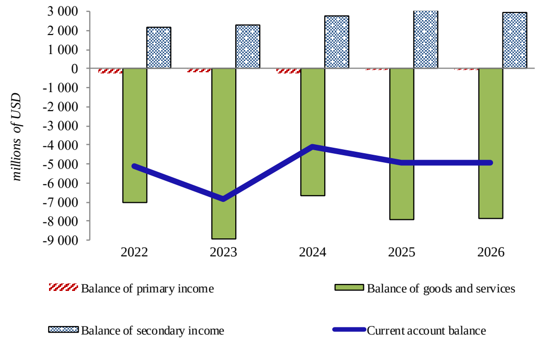
2025-2026 Balance of Payments Forecast[1].

Forecast horizon for 2025 is based on the analyzed data of the actual period and specified initial development conditions of the countries - trading partners of the Kyrgyz Republic. At the same time, the external economic environment still demonstrates heightened uncertainty, which poses potential risks for the external sector of the country.

In 2025, the current account of the balance of payments will remain in the negative zone (at 25.0 percent to GDP). The deficit expansion compared to 2024 will be supported by sustainable high level of consumption of goods and services within the framework of implemented state programs and social and infrastructure development projects amid decline in exports.

Chart 5.1.3. Forecast Data on Current Account

(millions of USD)



Exports and imports forecast estimates are based on the comprehensive assessment of certain factors, including expected changes in regional trade, fluctuations in the world prices for food and energy resources, as well as estimated volumes of gold exports from the Kyrgyz Republic.

In consonance with the forecast trajectory for 2025, export of goods is expected by 38.1 percent below the level of 2024 (high base in 2024 was provided by accelerated growth in export of non-monetary gold by 2.5 times in Q4 2024). Projected volume of imports will remain rather high. Simultaneously, import supplies are expected to gogo down (imports are forecasted to fall by 3.3 percent compared to 2024). Consumer goods, intermediate goods and investment goods, as well as energy products will have the largest share in the structure of imports.

When implementing the baseline scenario, the forecast of the balance of secondary income was revised upward taking into account the data of the actual period.

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

According to the revised forecast, the growth rate of secondary income is expected to move to the positive zone due to surge of inflows on “workers’ remittances”by 12.0 percent and a diminish of diminish of inflows to the general government sector by 98.6 percent against the previous year’s indicator. At the same time, the services balance will develop positive being influenced by excess of provided services over received thereof. Primarily, “other services” and “travels” will be the main drivers for export of services.

Revenues on the financial account will largely offset the expected current account deficit.

Traditionally, other investment and direct foreign investment will be the priority sources of financial capital inflows.

In addition, funds are expected to be received on portfolio investments.

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

In 2026, deficit of the current account balance will be formed at 19.3 percent to GDP under the influence of a combination of factors associated with expansion of the passive trade balance and the negative balance of primary income, as well as slight compression of the secondary income balance.

According to the National Bank’s estimates, an increase in exports by 6.9 percent and growth in imports by 3.4 percent will deepen the trade balance deficit (by 2.0 percent compared to 2025). Thus, export estimates have been improved in light of the gradual expansion of the geography of export supplies, an increase in the number of export-oriented enterprises, as well as expected improvement of transport logistics in the Kyrgyz Republic. Forecasts for imports have been revised and shifted toward worsening due to expectations of continued high demand for imported goods, as well as due to ongoing implementation of the state programs and the social and infrastructure development projects during the specified period.

The volume of inflows on the item “workers’ remittances” in secondary income balance is expected to go down by 3.4 percent compared 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, to cover the current account deficit, 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 foreign direct 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	Q2
1. Demand and suppply[1] *(real growth rates, if otherwise is not indicated)*															
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	329 295,3	380 048,7
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	10,0
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	11,1	
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	4,8	
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	-33,0	
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	4,5
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	3,9
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	28,1
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	5,9	6,4
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	8,8	10,0
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	107,7
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	108,0
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	106,0
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	109,6
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	109,2
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	105,2
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	105,7
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	108,1
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	109,7
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	104,6
3. External sector[3] *(in percent to GDP)*															
Trade balance	*% to GDP*	-34,4	-45,9	-56,5	-56,6	-56,9	-58,2	-55,1	-54,7	-58,5	-57,6	-48,1	-37,2	-33,1	-33,3
Current transaction account	*% to GDP*	-18,2	-32,1	-43,1	-42,1	-42,3	-44,6	-44,7	-45,0	-49,6	-47,4	-35,7	-23,4	-16,0	-16,1
Export of gods and services	*% to GDP*	34,7	28,2	26,6	29,7	31,1	32,4	34,5	36,4	37,4	39,9	44,6	48,2	46,1	42,5
Import of goods and services	*% to GDP*	71,5	76,1	84,8	87,2	88,5	92,4	92,6	95,4	101,1	101,1	94,5	86,0	77,2	74,4
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	87,3940
5. Monetary sector *(real growth rates, if otherwise is not indicated)*															
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	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	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	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	4,13
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	4,13
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	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	-	-	-	4,50
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	19,6
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	25,8
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	38,1
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	43,9
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	36,6

[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 Q2 are preliminary

Annex 2. Glossary

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

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

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

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

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

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

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

Monetary aggregate is the money supply classified according to degrees of liquidity: M0; M1; M2; M2X.
M0 – cash in hands.
M1 – M0 + residents' transferable deposits in the national currency.
M2 – M1 + residents' time deposits in the national currency.
M2X – M2 + settlement (current) accounts and residents' deposits in foreign currency.

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

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

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

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

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

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

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

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

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

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

Annex 3. Abbreviations

CB	Commercial Banks
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
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
OJSC	Open Joint-Stock Company
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