



КЫРГЫЗ БАНКЫ

# Monetary Policy Report. Q3 2024

Bishkek  
November 2024

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

### *Monetary policy in the Kyrgyz Republic*

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

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

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

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

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

Monetary Policy Report for Q3 2024 was approved by the Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2024-II-07/62-1-(ДКП) dated November 25, 2024.

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## Summary

**The world economy shows slight decline in business activity, meanwhile expectations for economic growth remain unchanged by the end of 2024.** Global inflation demonstrates stable slowdown amid pro-inflationary factors. The world's major economies, including the USA and China, demonstrated stable growth against modest expectations earlier. The EAEU member countries continue to demonstrate high growth rates, excluding Russia, where the economic growth slowed down in the reporting quarter amid the current challenges.

**The economy of the Kyrgyz Republic still demonstrates high growth rates due to expansion of investment and consumer demand of the economic entities.** In January-September 2024, real GDP increased by 8.4 percent. The sectors of services and construction continue to make a significant contribution to the economic activity of the country amid an increase in trade and capital investment. Domestic demand remains stable amid positive growth in lending, rise in the net inflow of remittance and increase of real wages.

**In Q3 2024, trade balance was formed under the influence of a significant increase in exports amid a decrease in imports to the Kyrgyz Republic.** As a result, the trade deficit of the country decreased by 49.4 percent compared to the indicator of Q 2023 and amounted to USD 1,169.8 million. The volume of foreign trade turnover grew insignificantly by 0.9 percent and amounted to USD 4.0 billion.

**Inflation in the Kyrgyz Republic remains below the medium-term target of 5-7 percent.** In Q3 2024 (quarter to the corresponding quarter of the previous year), the annual inflation rate slowed down to 4.3 percent from 4.8 percent in Q2 of the current year. In general, monetary policy measures taken earlier contribute to the inflation rate being kept within the moderate values.

In September 2024, the annual inflation rate was 4.9 percent, having decreased from 7.3 percent in December 2023. An increase in prices for non-food commodity group shows slowdown, however, there was slight acceleration of growth in prices for paid services in recent months.

**Maintaining the current monetary policy conditions ensured the inflation rate being kept within the medium-term target.** Short-term money market rates demonstrate stable downward dynamics. At the same time, the fluctuations of the interest rates are formed near the lower rate of the interest rate corridor set by the National Bank. The National Bank continued to regulate excess liquidity in the banking system, which was necessary for restricting the monetary factor of inflation. There was reorientation in the investment behavior of the money market participants from the open market operations to placement of available funds on "overnight" deposits.

Monetary aggregates demonstrate high growth rates provided by all its components.

**In general, the situation in the domestic foreign exchange market remained relatively stable.** Exchange rate remained flexible. In order to smooth sharp fluctuations of the exchange rate, the National Bank conducted foreign exchange interventions balancing the volumes of supply and demand for foreign currency. The trend towards strengthening of the national currency was generally observed in the reporting period.

**The deposit and credit market of the banking system showed stable and positive development trend.** Expansion of the deposit market resource base was provided by the deposits in the national (+5.3 percent) and foreign currency (+7.9 percent). Active lending to the economy remained stable (+7.0 percent).

## Chapter 1. External Environment

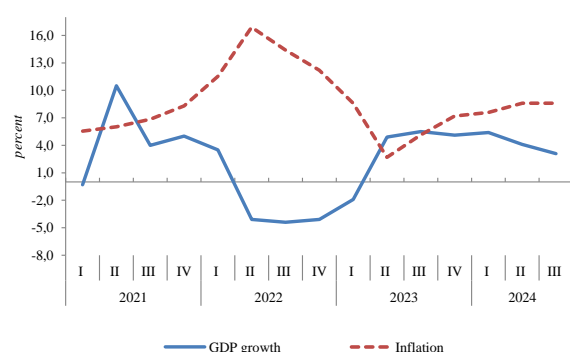
### 1.1. Economic Development of the EAEU Countries and the Main Trading Partner Countries

The world’s major economies, including the USA and China, demonstrated stable growth against modest expectations amid slowdown in inflation. The EAEU member countries continue to demonstrate high growth rates, excluding Russia, where the economic growth slowed down in Q3 amid the current challenges.

#### Russia

**Chart 1.1.1. Growth of GDP and Inflation in Russia**

(quarter to the corresponding quarter of the previous year)



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

**In Q3 2024, there was slowdown of economic activity in the Russian Federation compared to the previous periods.**

According to the preliminary estimate of the Ministry of Economic Development of the Russian Federation, in Q3, real GDP increased by 2.9 percent in annual terms after 4.1 percent in Q2 and 5.4 percent in Q1 of the current year. In January-September 2024, the country’s GDP grew by 4.2 percent. The highest growth was observed in the manufacturing sector (+7.9 percent), construction (+2.5 percent) and wholesale trade (+7.9 percent). Increasing restrictions imposed on the supply due to a decrease in the available free production capacities and labor

resources was the main factor for a decline in GDP growth rates. At the same time, growth of household and business incomes, as well as an increase in budget expenditures supported domestic demand.

**Inflation in Russia showed an upward dynamics: in September 2024, the inflation rate was 8.6 percent in annual terms.** Prices for food products rose by 9.2 percent, non-food products – by 5.6 percent and prices for services grew by 11.6 percent.

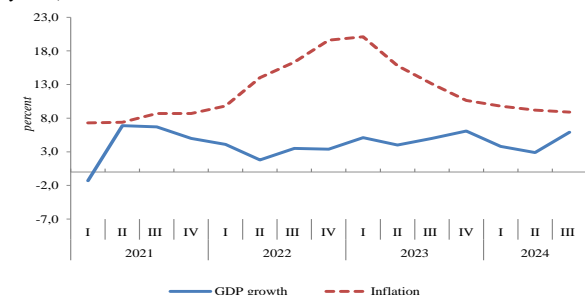
Amid acceleration of inflation, the Central Bank of Russia continued to tighten monetary policy and raised the key rate up to 21.0 percent per annum. According to the regulator’s estimates, the inflation rate is expected to reach 8.0-8.5 percent in 2024 and 4.5-5.0 percent in 2025.

#### Kazakhstan

**There was acceleration of economic activity in Kazakhstan.** According to the Bureau of National Statistics of the Republic of Kazakhstan, GDP growth was 4.1 percent in January-September 2024. There was positive dynamics in all sectors of the economy, and the sectors of agriculture, construction, transport and warehousing showed the most significant growth. Economic activity was mainly provided by development of the non-resource sector, meanwhile growth in the construction sector was mainly conditioned by measures taken by the government during the construction of houses for flood victims.

### Chart 1.1.2. Growth of GDP and Inflation in Kazakhstan

(quarter to the corresponding quarter of the previous year)



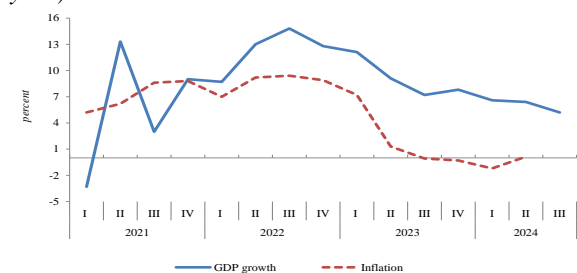
Source: RK Statistics Agency, IA Bloomberg, National Bank's calculations

services increased by 13.8 percent in annual terms.

### Armenia

### Chart 1.1.3. Growth of GDP and Inflation in Armenia

(quarter to the corresponding quarter of the previous year)



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

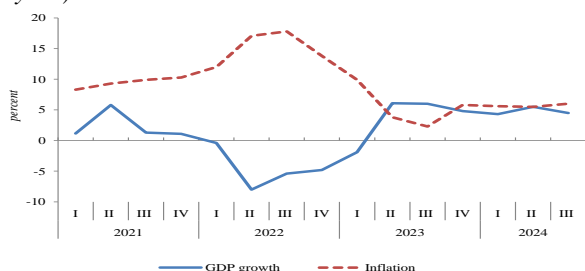
mainly due to rise in financial activities (+22.0 percent). The construction sector maintained high growth rates due to an increase in mortgage lending. Since the end of Q2, the industry showed slowdown dynamics due to a decline in production output of the jewelry industry.

**In Armenia, dynamics of price decrease was observed during Q3 of 2024.** In July of the current year, the inflation rate was formed at 1.4 percent compared to the same period of 2023, however, during the following two months of Q3, the inflation rate decreased down to 1.3 percent in August and 0.6 percent in September. The main factor of slowdown in price growth was a decrease in prices of food products (-1.0 percent).

### Belarus

### Chart 1.1.4. Growth of GDP and Inflation in Belarus

(quarter to the corresponding quarter of the previous year)



Source: National Statistical Committee of the Republic of Belarus

**Inflation in Kazakhstan showed stable slowdown, while remaining above target values: in September, the annual inflation rate was 8.3 percent.**

The slowdown in food inflation had a restraining effect on price growth, meanwhile food products and soft drinks, housing services, clothes and footwear made the greatest contribution to the annual inflation rate.

Tariff policy for housing and public utility services and some devaluation of the national currency prevented from faster deceleration of inflation. Thus, prices for

**In January-September 2024, economic activity remained high in Armenia:** the economic activity indicator increased by 8.7 percent compared to the same period of 2023.

The sectors of trade (+19.5 percent), services (+5.9 percent), industry (+12.6 percent), agriculture (+1.8 percent) and construction (+15.9 percent) made the main contribution to economic growth.

Growth in the trade sector was mainly conditioned by an increase in the wholesales (+27.3 percent). The service sector was active

due to rise in financial activities (+22.0 percent). The construction sector maintained high growth rates due to an increase in mortgage lending. Since the end of Q2, the industry showed slowdown dynamics due to a decline in production output of the jewelry industry.

**In Armenia, dynamics of price decrease was observed during Q3 of 2024.** In July of the current year, the inflation rate was formed at 1.4 percent compared to the same period of 2023, however, during the following two months of Q3, the inflation rate decreased down to 1.3 percent in August and 0.6 percent in September. The main factor of slowdown in price growth was a decrease in prices of food products (-1.0 percent).

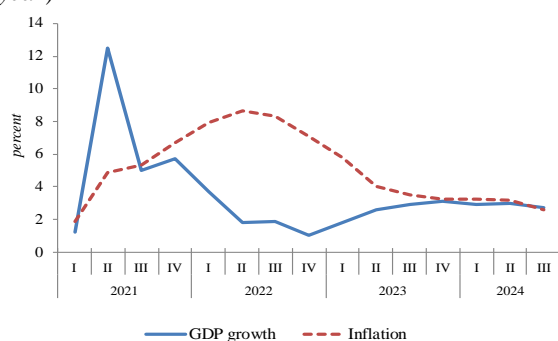
**The economy of Belarus demonstrated stable growth, however, the growth rates were more moderate compared to the previous quarter:** in January-September 2024, real GDP growth was 4.5 percent compared to the corresponding quarter of the previous year. Industry, agriculture and construction sector remained the main drivers of economic growth. In general, soft monetary conditions provided credit stimulation of the economy.

**In September, the annual inflation rate was 6.0 percent.** Consumer demand, accompanied by imported inflation, continued to exert pressure on price growth in all main groups of goods and services: prices for consumer goods increased by 7.5 percent, for non-food products – by 4.2 percent, for services – by 5.6 percent.

**USA**

**Chart 1.1.5. Growth of GDP and Inflation in the USA**

(quarter to the corresponding quarter of the previous year)



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

**In Q3 2024, the US real GDP increased by 2.7 percent compared to the same period of 2023, exceeding market expectations and the long-term potential of 1.8 percent<sup>1</sup>.**

Economic growth is mainly conditioned by steady increase in consumer expenditures with the share of two-thirds of the economy, rise in private and public investment and export of goods and services. At the same time, in the reporting period, the unemployment rate in the USA remained unchanged and amounted to 4.1 percent by the end of September 2024.

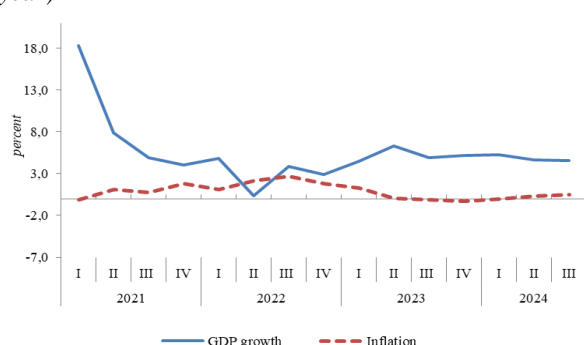
**Under the conditions of tight monetary policy conducted by the Federal**

**Reserve System, the annual inflation rate demonstrated stable slowdown** and amounted to 2.4 percent in September 2024 (in June 2024, 3.0 percent). The rates of price growth slowed down mainly due to a decrease in energy prices by 6.8 percent after an increase by 1.0 percent in June of the current year. At the same time, core inflation (excluding the prices for food products and energy carriers) remained unchanged and amounted to 3.3 percent in annual terms. At the same time, excluding prices for food products and energy carriers, the PCE<sup>2</sup> price index increased by 2.2 percent compared to growth by 2.8 percent. Amid steady slowdown of inflation, the US Federal Reserve System decreased the basis rate from 5.25-5.50 percent down to 4.75-5.00 percent in September 2024 for the first time since 2020.

**China**

**Chart 1.1.6. Growth of GDP and Inflation in China**

(quarter to the corresponding quarter of the previous year)



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

**In Q3 2024, China’s economic growth slowed down, however, in general, economic growth was relatively high at the end of the nine-month period of the current year.**

In Q3 2024, China’s real GDP increased by 4.6 percent compared to the same period of the previous year, meanwhile, in Q1 of the current year, the growth rate was 5.3 percent and in Q2 – 4.7 percent.

Slowdown of economic growth rates was conditioned by stable negative dynamics in the real estate market, as well as weak consumer demand. At the same time, in Q3 of the current year, the main sectors of economy demonstrated growth. The industrial sector

increased by 5.4 percent due to production of equipment and manufacturing industry. The

<sup>1</sup> According to the estimates of the US Federal Reserve System.

<sup>2</sup> The Personal Consumption Expenditure Price Index (PCE inflation) is among inflation indicators in the USA that tracks changes in prices of goods and services purchased by the consumers throughout the economy. PCE includes the broadest set of goods and services among all indicators of consumer price inflation.

services sector grew by 4.7 percent amid increase in the sectors of information technologies and business services. The agricultural sector showed positive dynamics and grew by 3.4 percent compared to the same quarter of 2023.

**During Q3 of the current year, there was slight slowdown in growth of consumer prices.** In September 2024, the annual inflation rate was 0.4 percent compared to the same period in 2023, meanwhile, in August and July, the inflation rate was 0.6 and 0.5 percent, respectively. In September, food prices (fruits and vegetables) made the main contribution to inflation, as in previous months. Prices for non-food products amid low demand were the restraining factor of price growth.

### 1.2. World Commodity Markets

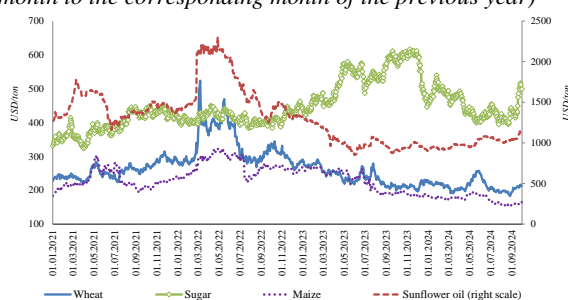
In the reporting period, the world commodity market was volatile, demonstrating an increase in the FAO food price index, due to stable uncertainty.

In the reporting period, oil prices declined amid expectations of slow growth rates in the world economy, meanwhile the world gold price showed stable upward dynamics thereby updating the historical maximums.

#### Food Market

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

(month to the corresponding month of the previous year)



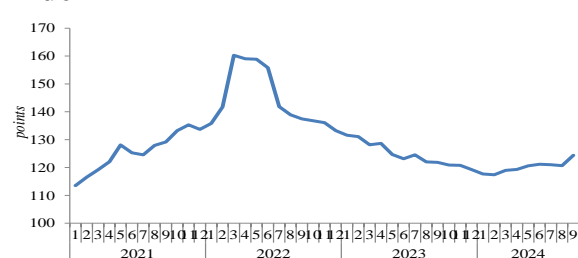
**In Q3 2024, prices for basic food products was multidirectional.** An increase in global demand, global climatic changes, instability in the energy market and geopolitical risks remained unchanged, being the factors influencing prices in the world food markets. Thus, by the end of the reporting period there was an increase in prices for all main components of the world food market.

Prices for vegetable oils remained high and in September 2024 reached the highest value since the beginning of 2023. Stable rise in prices was conditioned by expected decline in oil crop production during the season of 2024-2025.

During the reporting period prices for crops had multidirectional dynamics, however by the end of the period there was an increase in quotations for almost all crops components. In September, after three months of decline, world prices for wheat increased due to concerns about unfavorable weather conditions from some key exporters. Unfavorable climatic conditions and increased demand also contributed to growth of world prices for other crops.

World prices index for sugar increased significantly by the end of Q3 2024. Sugar prices grew due to unfavorable weather conditions in major production regions to result in concerns about reduced supply in the world market in the forthcoming 2024-2025 season.

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



At the end of Q3 2024, FAO Food Price Index <sup>1</sup> showed moderate growth. In the reporting period, the average value of the FAO Food Price Index increased by 1.4 percent compared to the previous quarter and constituted 122.0 points. The index decreased by 0.6 percent compared to the same quarter of 2023.

An increase in the FAO food price index was mainly conditioned by growth in

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

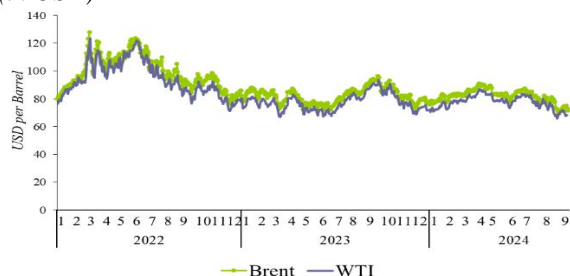


prices for vegetable oils and dairy products. However, at the end of the reporting period, there was an increase in prices for all components included in the index.

### Energy Market

**Chart 1.2.3. Dynamics of Oil Prices**

(in USD)



**In Q3 2024, oil prices declined amid expectations of slowdown in global economic growth compared to the previous quarter.**

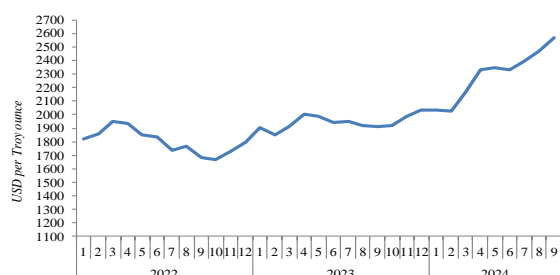
Statistical data of the world’s leading economies, as well as a possible increase in oil production by OPEC+ and non-member countries influenced a decline in the world prices for oil. Oil prices were supported by escalation of the geopolitical crisis in the Middle East.

In Q3 2024, Brent oil was sold at an average price of USD 78.7 per barrel, the for this oil decreased by 7.4 percent compared to the previous quarter.

Oil supply in the market was restricted by the major players. In November 2024, amid the emerging situation in the oil market, OPEC+ countries decided to extend voluntary restrictions for oil production down to 2.2 million barrels per day until the end of 2024. At the same time, the countries that violated the agreement (Iraq, Kazakhstan and Russia) assumed an obligation to compensate for the excesses through additional reductions in the future periods.

### Gold Market

**Chart 1.2.4. Dynamics of Gold Prices**



Source: IA Bloomberg

**Growth of gold investment flows in the exchange and OTC markets contributed to an increase of the asset price.**

In Q3 2024, total demand for gold increased by 5.0 percent, up to 1,313 tons, being the highest value.

Moreover, gold price continued to break consecutive highest values during the reporting period. In the reporting quarter, the average price rose by 28.5 percent in annual

terms to reach the highest ever value of USD 2,476.8 per Troy ounce. Reduction in interest rates by the leading central banks, geopolitical uncertainty, portfolio diversification by the investors, investment and consumer demand were the key drivers for growth in gold prices. Expectations related to the US presidential election provided additional support for gold prices.

In Q3 2024, frequency of purchases made by the central banks (186 tons) slowed down, however the volume of purchases was in line with the level of 2022 year-to date.

Demand for gold used in technologies increased by 7.0 percent compared to the previous year as the trend of artificial intelligence development continues stimulating demand in this sector.

Gold production rose by 6.0 percent in annual terms to reach another highest value of the quarter, however the annual production volume exceeded the previous highest value of 2018.

Downside risks dominate in the world economy. Such risks are associated with geopolitical uncertainty and the effects of tight monetary policy implemented by the US Federal Reserve System and other central banks to restrain inflation and upsurge volatility in the financial markets that could result in tighter financial conditions. These risks support high prices for gold. Bloomberg IA analysts expect the world prices for gold to increase by approximately USD 2,350-2,560 per Troy ounce in the world market in 2024-2025.

## Chapter 2. Macroeconomic Development

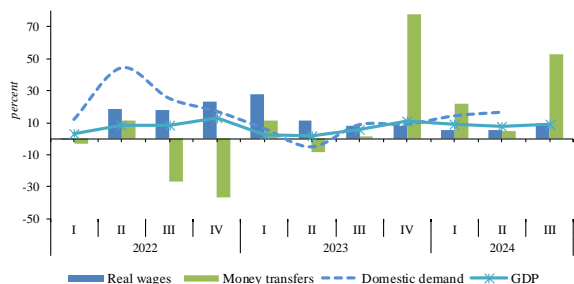
### 2.1. Demand and Supply in the Commodities and Services Market

In January-September 2024, the economy of the Kyrgyz Republic showed high growth rates driven by increased consumer demand, recovery of the construction sector and growth of the services sector.

#### Demand

**Chart 2.1.1. Dynamics of Internal Demand and Cross-Border Money Transfers**

(quarter to the corresponding quarter of the previous year)



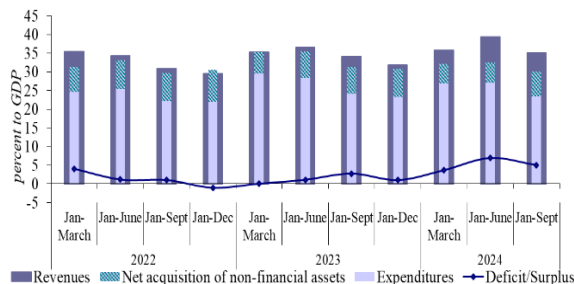
Source: NSC KR, calculations: NBKR

unemployment in the labor market contributed to stable and high demand. The total volume of wholesale and retail trade turnover increased by 13.5 percent compared with the same period of 2023.

#### Public Finances Sector

**Chart 2.1.2. Execution of the State Budget**

(period to the corresponding period of the previous year)



Source: CT MFKR

budget revenues increased due to the transfer of the National Bank’s profit to the republican budget in the amount of KGS 12.4 billion.

In the reporting period, the growth rate of current budget expenditures slowed down to 10.3 percent, from 32.8 percent in the same period of 2023 and amounted to KGS 222.6 billion (23.4 percent to GDP).

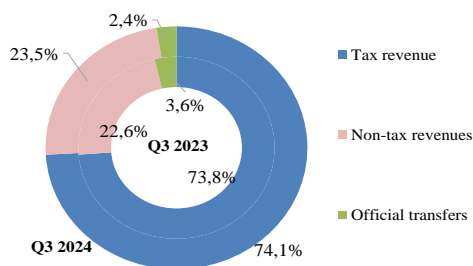
The economy of the country still demonstrated high consumer activity. In January-September 2024, an increase in consumer demand was supported by positive dynamics of real wages (+6.7 percent), growth of consumer lending (+42.3 percent) and rise in the net inflow of individuals’ cross-border remittances to the country (+25.1 percent).

The enterprises and organizations of all types of economic activities showed an increase in the growth rates of average monthly nominal accrued wages. At the same time, a decrease in the level of registered

unemployment in the labor market contributed to stable and high demand. The total volume of wholesale and retail trade turnover increased by 13.5 percent compared with the same period of 2023.

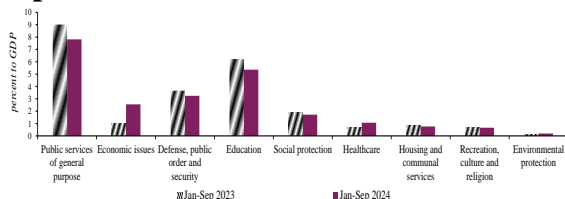
In the reporting period, the state budget was executed with a significant surplus of KGS 47.8 billion (5.0 percent to GDP) compared to the same period of 2023 due to a significant increase in tax and non-tax revenues (in the same period of 2023, the surplus was 2.8 percent to GDP). In the reporting period, economic growth in the country and measures taken by the government on tax procedures fiscalization increased current state budget revenues by 17.4 percent in annual terms, up to KGS 333.9 billion (35.1 percent to GDP). Moreover, non-tax

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



Source: CT MFKR

**Chart 2.1.4. Structure of State Budget Expenditures**



Source: CT MFKR

**Investments**

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

	January-September			
	2023	2024	2023	2024
	millions of KGS		share, percent	
<b>Total</b>	97 101,5	157 374,0	100,0	100,0
<b>Internal investment</b>	83 435,2	129 138,9	85,9	82,1
Republican budget	11 413,4	22 857,9	11,7	14,5
Local budget	2 739,3	4 815,8	2,8	3,1
Funds of enterprises and organizations	35 448,5	47 344,8	36,5	30,1
Banks' credits	959,4	10 495,6	1,0	6,7
Population funds including beneficent help of KR residents	32 874,6	43 624,8	33,9	27,7
<b>External investment</b>	13 666,3	28 235,1	14,1	17,9
Foreign credit	6 323,8	14 639,2	6,5	9,3
Direct foreign investments	2 924,0	6 123,9	3,0	3,9
Foreign grants and humanitarian aid	4 418,5	7 472,0	4,6	4,7

Source: NSC KR

in the same period of 2023. At the same time, it should be noted that the volume of capital investments increased at the expense of the republican budget by 1.9 times and at the expense of bank loans – by 10.1 times.

An increase in the volume of capital investments was primarily concentrated in the mining sector (+1.7 times). The enterprises revolved funds at their own expense, as well as used bank credits, foreign credits and direct foreign investments.

**Supply**

**In January - September 2024, economic activity in the Kyrgyz Republic remained high primarily due to significant growth in the services and construction sectors.**

The item on labor remuneration of public sector employees continued to occupy a significant share in the structure of current expenditures (43.7 percent). The largest increase was also observed on the items “economic issues” (by 2.8 times) and “health care” (+87.8 percent) in the structure of expenditures by functional classification.

Net capital expenditures of the Cabinet of Ministers of the Kyrgyz Republic increased by 6.4 percent compared to the same period of 2023, to make KGS 63.5 billion (6.7 percent to GDP).

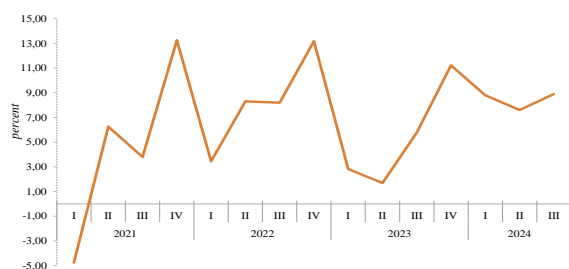
In general, the Cabinet of Ministers of the Kyrgyz Republic expects the republican budget to be executed with a surplus in 2024-2027, which is planned to be used in the future to cover expenditures related to economic activities, as well as the state debt obligations.

Capital investments showed high growth rates as a result of measures taken by the Cabinet of Ministers of the Kyrgyz Republic on development of the construction complex in the country.

An increase in the volume of capital investments was ensured by growth of domestic (+1.5 times) and foreign sources of financing (+1.9 times). In January-September 2024, the total volume of investments increased by 52.1 percent against 18.2 percent

**Chart 2.1.6. GDP Dynamics**

(quarter to the corresponding quarter of the previous year)

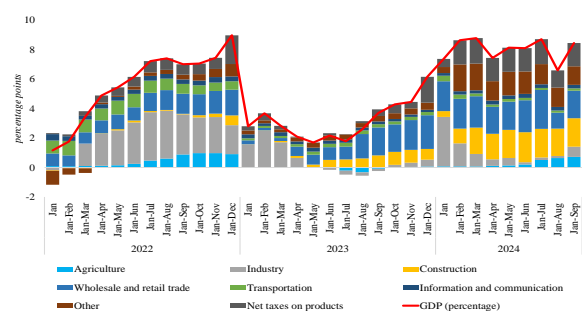


Source: NSC KR, calculations: NBKR

increased to 1.9 percentage points from 0.8 p.p. in the same period in 2023, which made construction one of the significant areas ensuring the growth of the national economy through the implementation of investment projects.

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

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



Source: NSC KR, calculations: NBKR

reporting period (according to the NSC of the Kyrgyz Republic, the level of registered unemployment in the total workforce decreased from 2.5 at the end of 2023 to 2.0 at the end of September 2024) to some extent contributed to reducing the imbalance between aggregate supply and demand, which affected the slowdown in inflation and wage growth.

According to the preliminary data of the NSC KR, in January-September 2024, GDP increased in real terms by 8.4 percent (by 3.7 percent compared to the same period of 2023). The services sector (3.5 p.p.), taking into account its weighty share in the GDP structure, continued to make the largest input to GDP growth. In the reporting period, the construction sector showed stable significant growth by 36.9 percent due to increased volumes of investment. The contribution of the construction sector to total GDP growth

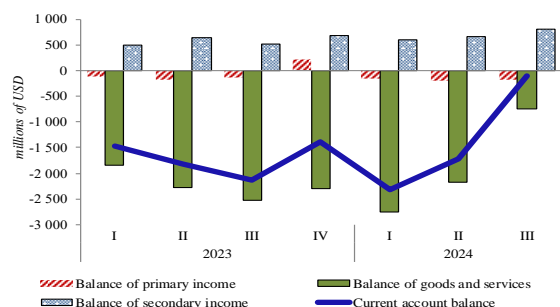
At the end of the reporting period, the economic entities operating in the sphere of agriculture, forestry and fishery had the largest share (about 60 percent) in the total number of operating economic entities. In the reporting period, this sector showed positive upward dynamics (+6.7 percent against (-) 0.7 percent in the same period of 2023), having a restraining effect on inflationary development. At the same time, a decrease of production output in the mining sectors and slowdown in the manufacturing sectors continued to restrain economic activity.

An increase in the supply of labor in the reporting period (according to the NSC of the Kyrgyz Republic, the level of registered unemployment in the total workforce decreased from 2.5 at the end of 2023 to 2.0 at the end of September 2024) to some extent contributed to reducing the imbalance between aggregate supply and demand, which affected the slowdown in inflation and wage growth.

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

**In Q3 2024, rapid weakening of the goods and services account deficit, as well as the positive dynamics of inflows on the balance of secondary income had a noticeable impact on the decline in the current account balance deficit.**

**Chart 2.2.1. Current Account**



Note: According to the preliminary and forecasted data.

According to the preliminary data and estimates of the National Bank, in Q3 2024, the current account balance deficit constituted USD 105.3 million or 36.0 percent to GDP<sup>2</sup>.

In the reporting period, the trade balance deficit decreased by 49.4 percent, down to USD 1,169.8 million, due to accelerated growth of exports accompanied by moderate reduction in imports.

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

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

Export of goods (in FOB prices) increased by 71.8 percent and amounted to USD 1,408.0 million. Growth in the supplies of gold (nonmonetary), footwear, ores and concentrates of precious metals influenced significantly the volumes of exports in the reporting period. Exports excluding gold grew by 90.9 percent and totaled USD 959.9 million.

Import of goods (in FOB prices) diminished by 17.6 percent and constituted USD 2,577.8 million. During the reporting period, slowdown in imports resulted primarily from substantial drop in the supplies of motor cars and part of equipment for production machinery. In the reporting period, there was also a boost in import of energy products by 25.1 percent (USD 277.3 million against USD 221.8 million in Q3 2023) owing to growth in volume and value.

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

In Q3 2024, an increase in the inflow of individuals’ cross-border remittances affected the positive dynamics of net inflow on the item “workers’ remittances” (a growth by 54.6 percent). The dynamics of the general government sector was fully shaped by the inflow of cash grants from the development partners and contributions of membership fees to the international organizations.

In the reporting quarter, the balance of services is expected to be in the positive zone and amount to USD 427.1 million, whereas the balance of the item “primary income”, according to the National Bank’s estimates, will continue deteriorating, to make (-) USD 168.3 million (an increase by 31.0 percent). Inflow on the capital account is anticipated at USD 24.1 million.

**According to the preliminary forecast estimates of the National Bank, in Q3 2024, net borrowing from the rest of the world presented in the financial account will amount to USD 353.8 million.**

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

Thus, at the end of Q3 2024, the balance of payments of the Kyrgyz Republic will develop with a negative sign to make USD 272.6 million.

## Chapter 3. Monetary Policy

### Key Trends

- Considering the dynamics of expected medium-term inflation, the National Bank’s policy rate was kept unchanged during the reporting period.
- Short-term interest rates of the money market showed stable downward trend under the influence of monetary conditions relaxed in Q2 2024.
- The high level of excess liquidity remained stable in the banking system. Reorientation of investment behavior of the money market participants conditioned an increase in the share of funds placed on “overnight” deposits.
- All monetary aggregates demonstrated slowdown in growth rates compared to the previous quarter, meanwhile their dynamics was characterized by an upward trend in annual terms.
- The situation in the domestic foreign exchange market remained stable; the exchange rate flexibility was kept unchanged due to market formation of foreign currency demand and supply.
- Monetary policy measures taken by the National Bank contributed to limiting monetary factors of inflation and provided stability in the interbank money and domestic foreign exchange markets. As a result, such situation ensured further weakening of the inflationary environment.

### 3.1. Monetary Policy Implementation

#### Monetary Conditions

In Q3 2024, monetary policy was implemented amid sustainable slowdown of inflationary development in the Kyrgyz Republic and gradual decrease in expectations of the economic entities. However, the monetary decisions primarily suffered the effect of the external influence factor. Recent developments in the world economy have increasingly become associated with supply disruptions resulted from geopolitical and climatic problems. In this regard, inflation risks in the external environment still demanded vigilance in the monetary policy implementation.

During the reporting period, taking into account the results of comprehensive analysis covering the economic situation as well as forecasted macroeconomic indicators and possible internal and external risks, the National Bank kept the key rate unchanged at 9.00 percent.

Since August 6, 2024, the lower rate of the interest rate corridor – the interest rate on “overnight” deposits rate – was adjusted by the decision of the Monetary Regulation Committee of the National Bank within the framework of revising the policy to absorb excess liquidity. The upper rate – the interest rate on “overnight” credits – was not subject to changes during the quarter.

Thus, by the end of the reporting period, the rates of the National Bank’s interest rate corridor were as follows:

- the interest rate on “overnight” credits – 11.00 percent;
- the interest rate on “overnight” deposits – 4.00 percent.

Tactical monetary policy measures were taken in view of emerging development trends in the money and foreign exchange markets, as well as amid high level of excess liquidity in the banking system.

In order to level the monetary factor of inflation, the National Bank continued to conduct active sterilization operations for maintaining the equilibrium level of money supply in the economy.

The National Bank conducted three interventions on purchase of foreign currency to the amount of USD 104.9 million and two interventions on sale of foreign currency to the amount of USD 111.5 million to preventing sharp fluctuations in the exchange rate.

### Liquidity Regulation in the Banking Sector

In the reporting period, restraining dynamics of operations conducted in the government sector contributed to slight decrease in the average daily level of excess reserves in the banking system. The average daily volume of the commercial banks' excess liquidity before sterilization operations conducted by the National Bank decreased by 5.3 percent compared to Q2 2024 and amounted to KGS 91.2 billion. Excess reserves of the banking system was primarily concentrated, as before, with the systemically important participants of the money market.

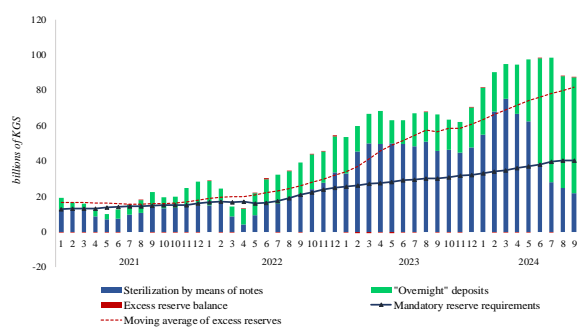
Almost the entire volume of excess liquidity in the banking sector was traditionally absorbed by the National Bank's instruments. In the reporting quarter, the average daily volume of the National Bank's sterilization operations decreased by 5.8 percent and amounted to KGS 91.2 billion (in Q2 2024, KGS 96.9 billion). Impulses of monetary policy easing observed since April 2024 and revision of the policy to absorb excess liquidity from the banking system continued to strengthen the flow of the commercial banks' available funds from the National Bank's notes in favor of "overnight" deposits.

The share of "overnight" deposits in the banking sector increased significantly by 30.6 p.p. compared to the previous period, up to 72.8 percent. At the same time, their average daily volume increased by 62.4 percent compared to Q2 2024 and was formed at KGS 66.4 billion. There was upward dynamics of the minimum and maximum values in the total amount of the commercial banks' funds placed on "overnight" deposits, the values thereof ranged from KGS 39.2 billion up to KGS 79.0 billion (in Q2 2024, - from KGS 19.3 billion up to KGS 74.7 billion).

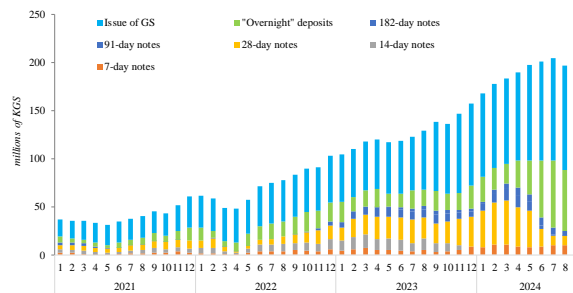
The share of the National Bank's notes in the total structure of sterilization operations decreased from 57.8 percent in Q2 2024 down to 27.2 percent in the reporting quarter. As a result, the average daily volume decreased by 55.6 percent compared to the same period and amounted to KGS to 24.9 billion.

In Q3 2024, there was still no demand on the part of the banking sector to attract the National Bank's credit resources within the framework of the "overnight" credits.

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



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



### Monetary Policy Measures in Q3 2024

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

The Board of the National Bank twice considered the issue of the policy rate - on July 29 [\[press release dated 29.07.2024\]](#) and August 26, 2024 [\[press release dated 26.08.2024\]](#).

Taking into account stable economic development and steady decrease of the inflation rate in the country, the size of the policy rate was kept unchanged at 9.00 percent.

On August 5 of the current year, the decision to reduce the interest rate on “overnight” deposits by 100 basis points, down to 4.00 percent, was made at the meeting of the Monetary Regulation Committee.

Monetary policy measures made it possible to keep the annual inflation rate near the medium-term target of 5-7 percent, as well as to create conditions for price stability, being an important precondition for long-term sustainable economic growth.

### 3.2. Financial Market Instruments

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

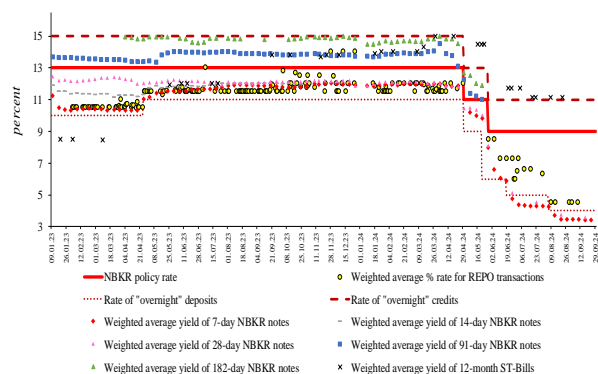
In Q3 2024, the money market was characterized by stable decrease of the short-term interest rates, which were near the lower rate of the interest rate corridor set by the National Bank.

The average interest rate spread in the notes market decreased by 5.17 p.p., to (-)5.16 percent. Unlike the previous quarter, in the reporting period, the National Bank did not conduct auctions for 91- and 182-day notes (14-day notes have not been issued since November 2023). In terms of maturities, the weighted average yield of 7- and 28-day notes decreased by 5.3 and 4.8 p.p., respectively. In general, the weighted average yield of notes decreased from 4.36 percent in July down to 3.47 percent in September 2024 (in August, this indicator made 3.71 percent).

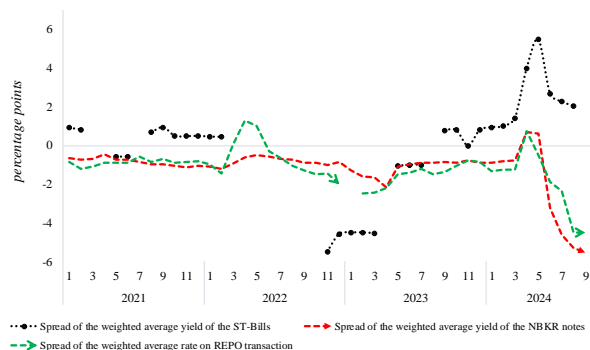
Dynamics of REPO transactions in the interbank credit market showed steady decline in demand and the weighted average rates, such situation was also observed in the previous quarter. At the end of the reporting period, the total amount of conducted 30 transactions decreased by 55.0 percent compared to Q2 2024, to make KGS 1.2 billion. As a result, the average spread narrowed by 3.90 p.p., down to (-)3.78 p.p. The weighted average rate decreased by 2.15 p.p. during the period from July till August was formed at 4.50 percent by the end of the period.

The market of 12-month government securities sold on the platform of the Kyrgyz Stock Exchange was also characterized by less significant weakening of average spreads. Five auctions were conducted during the reporting period, according to the results thereof the average spread made 2.17 percent. The weighted average rate increased by 2.1 p.p. compared to the National Bank’s policy rate, and made 11.1 percent by the end of the period (a decrease by 0.6 p.p. compared to Q2).

**Chart 3.2.1. Interest Rate Policy of the National Bank**



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

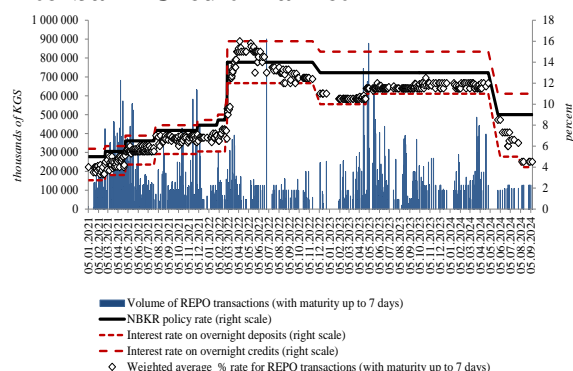


#### Interbank Credit Market

In Q3 2024, the interbank credit market demonstrated stable downward trend in the segment of REPO transactions.



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



KGS 5.3 billion).

In July-September 2024, the weighted average rate of the interbank credit market decreased by 3.9 p.p. compared to April-June 2024 and constituted 5.2 percent. During the reporting period, the weighted average maturity of credits increased to 7 days (+1 day) compared to the previous quarter. The transactions were conducted on pledge of ST-Bonds and T-Bonds.

**Market of the National Bank’s Notes**

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

In Q3 2024, the volume of sales of the National Bank’s notes decreased by KGS 34.7 billion (-17.8 percent) compared to the previous quarter, down to KGS 160.0 billion. At the same time, the market participants demonstrated an increase in investment demand for notes up to KGS 429.9 billion (+13.6 percent or KGS 51.5 billion). 7- and 28-day notes were the most preferable due to the short maturity of excess liquidity (up to one year) in the reporting period.

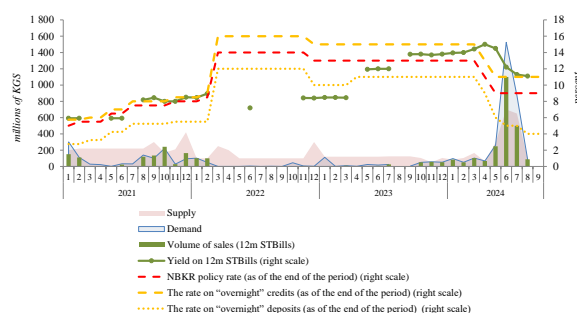
In Q3 2024, the downward dynamics of notes’ yields was still observed in the context of maturities. The interest rates on 7-day notes decreased down to 3.8 percent (-5.3 p.p.), and on 28-day notes – down to 4.0 percent (-4.8 p.p.). 14-, 91- and 182-day notes were not offered. In general, in the reporting quarter, the total weighted average yield of notes decreased by 5.2 p.p., down to 3.8 percent.

**Government Securities Market**

**In Q3 2024, the government securities (GS) market was represented by the securities of all maturities, excluding 15- and 20-year securities. The ST-Bonds with 3-, 10-, 5-, and 7-year maturities were in the greatest demand among the market participants. Short-term segment of GS, as well as in previous periods, was represented only by 12-month ST-Bills.**

**ST-Bills**

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



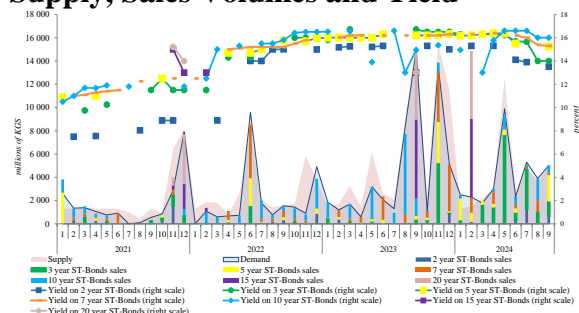
In Q3 2024, the upward activity trend was stable in the market of 12-month ST-Bills on the trading platform of Kyrgyz Stock Exchange CJSC (KSE). At the same time, in Q3 2024, no ST-Bills were offered on the National Bank’s trading platform.

According to the [official website of KSE](#) demand, supply and sales of 12-month ST-Bills increased compared to all previous quarters taken separately. In Q3 2024, the volume of ST-Bills supply increased by

35.3 percent compared to the previous quarter. The total demand increased by 76.8 percent, however, demand was not satisfied by 38.7 percent (KGS 371.2 million). The total sales increased by 41.7 percent compared to Q2 2024 and amounted to KGS 587.8 million. In Q2, the weighted average yield of 12-month ST-Bills decreased by 2.4 p.p. compared to Q2 and amounted to 11.2 percent.

**ST-Bonds**

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



**In Q3, the ST-Bonds market was represented by the securities of all types of maturities, excluding 15- and 20-year maturities. The weighted average yield of ST-Bonds decreased compared to the previous quarter.**

In Q3 2024, the volume of ST-Bonds sales, including additional placements on the National Bank’s platform, decreased by 14.7 percent compared to the previous quarter and by 47.9 percent compared to the same period of 2023, to make KGS 12.2 billion. Activity in the ST-Bonds market was primarily provided by participation of the government.

In Q3 2024, the volume of ST-Bonds sales, including additional placements on the National Bank’s platform, decreased by 14.7 percent compared to the previous quarter and by 47.9 percent compared to the same

In Q3, the total weighted average yield of ST-Bonds slightly decreased compared to Q2 2024, to make approximately 15.3 percent (-0.9 p.p. compared to Q2 of the current year and +0.9 p.p. compared to Q3 2023). In the reporting period, the volume of ST-Bonds supply decreased by 34.2 percent and ST-Bonds demand fell by 8.7 percent compared to Q2 2024, which affected the dynamics of yields in Q3 of the current year.

In terms of maturities, 3-year ST-Bonds demonstrated the largest volume of sales, the share thereof in the total volume amounted to 47.6 percent. The other half is divided among 10-, 5-, and 7-year ST-Bonds with the share of 21.7, 18.8, and 11.9 percent, respectively, in the total volume of sales during Q3 2024.

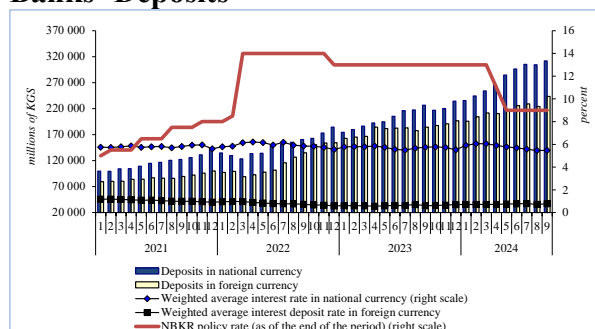
As of the end of Q3, the structure of ST-Bonds holders (excluding 2-year ST-Bonds placed on the KSE) changed insignificantly compared to the previous quarter. Institutional investors held 41.3 percent of all ST-Bonds in circulation (-0.4 p.p. compared to the end of the previous quarter). The share of commercial banks slightly increased up to 30.16 percent (+0.09 p.p.). As in the previous quarter, the share of resident legal entities decreased and amounted to 8.3 percent of the total volume (-1.4 p.p. compared to the end of Q2). Other participants together held 20.2 percent of all ST-Bonds in circulation.

In Q3 2024, 2-year ST-Bonds in the amount of KGS 1,804.3 million with the weighted average yield of 13.8 percent were sold on the platform of KSE CJSC.

**Deposit Market**

**The commercial banks’ deposit base demonstrated stable growth in the national and foreign currencies.**

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



At the end of Q3, the banks’ deposit base amounted to KGS 555.4 billion, having increased by 6.4 percent during the quarter. The growth of the deposit base was due to an increase in deposits both in the national currency (+5.3 percent, up to KGS 311.9 billion) and in foreign currency (+7.9 percent, up to KGS 243.6 billion).

The growth of the deposit base in the national currency was mainly due to an increase of deposits on current accounts by

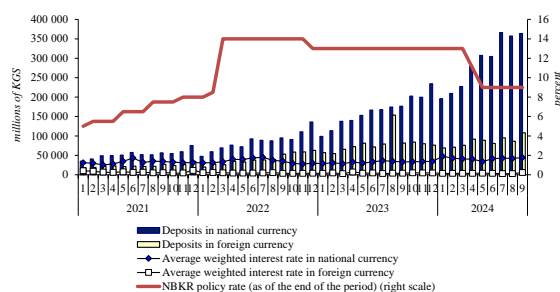
7.9 percent (up to KGS 130.3 billion) year-to-date, as well as time deposits – by 5.6 percent (up to KGS 103.7 billion), meanwhile demand deposits grew only by 0.7 percent (up to KGS 77.8 billion). Such dynamics changed the structure of the deposit base in the national currency. Thus, the share of current account deposits increased up to 41.8 percent (+1.0 p.p.) and the share of time deposit accounts grew up to 33.2 percent (+0.1 p.p.), as well as the share of demand deposits decreased down to 25.0 percent (-1.1 p.p.).

The deposit base in the national currency by persons consists mainly of residents’ deposits (97.6 percent of the total volume), particularly of individuals’ deposits (44.0 percent).

At the end of September of the current year, dollarization of deposits amounted to 43.9 percent (-1.8 p.p. compared to December 2023), while dollarization adjusted for the policy rate increased up to 45.2 percent (+0.6 p.p.).

The deposit base in foreign currency by persons is mainly formed by resident legal entities’ deposits (in particular, current accounts) (52.0 percent) and non-resident individuals’ deposits 24.2 percent, total of 25.5 percent.

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



**The weighted average interest rates on time deposits in the national currency remained high demonstrating slight changes compared to the indicators of Q2 2024.**

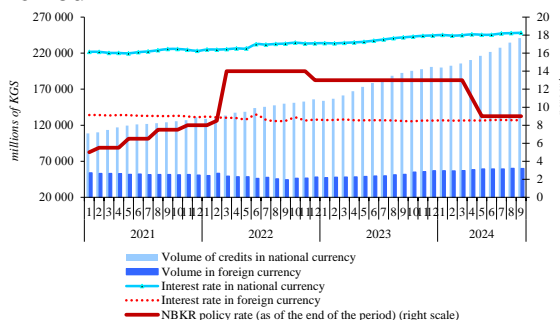
In September 2024, the interest rate on time deposits in the national currency (balances) increased slightly (+0.04 p.p.) and constituted 12.6 percent compared with the beginning of the year (+0.3 p.p. compared to the end of September 2023).

The interest rates on new time deposits in the national currency decreased by 1.3 p.p., down to 11.0 percent (-1.4 p.p. compared to the end of September 2023).

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

**Credit Market**

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



**In Q3 2024, active lending to the economy was sustainable.**

At the end of Q3, the banks’ credit portfolio of increased by 7.0 percent during the quarter and amounted to KGS 300.8 billion. Growth of credits in the national currency by 8.7 percent, up to KGS 240.9 billion, conditioned an increase of the credit portfolio.

Growth of credits in the national currency was mainly conditioned by an increase of consumer credits (+20.4 percent), mortgage credits (+9.7 percent), agriculture (+2.1 percent), trade and commercial operations (+0.9 percent).

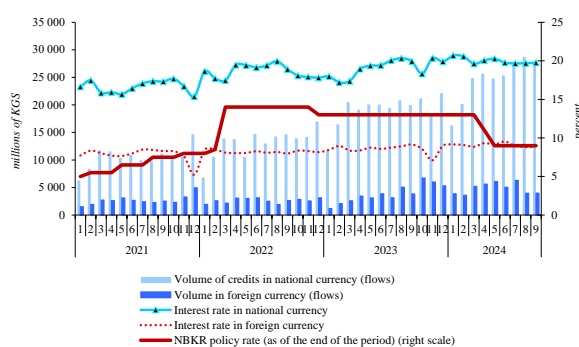
<sup>1</sup> This index shows the degree of concentration in the portfolio of the banks. The concentration index is calculated by the method of calculating the Herfindahl-Hirschman index and is the sum of the squares of specific weights of the indicator in the total volume. The index takes values from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

In the structure of the credit portfolio in the national currency in the context of persons, the share of 63.8 percent was accounted for the credits of resident individuals (+3.9 p.p. compared to June 2024), 36.1 percent – the credits of resident legal entities (–3.9 p.p. compared to the end of Q2 2024), meanwhile the share of non-residents amounted to 0.2 percent. Thus, in the reporting period, the credit portfolio in the national currency increased due to higher growth rates of credits to resident individuals (an increase by 15.7 percent compared to the end of Q2 2024).

At the end of September of the current year, dollarization of credit portfolio amounted to 19.9 percent (–2.1 p.p. compared to December 2023), while dollarization adjusted for the policy rate decreased to 20.2 percent (–1.9 p.p.).

The credit portfolio in foreign currency increased by 0.8 percent, up to KGS 59.9 billion, compared to Q2 2024.

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



Social services (an increase of lending by 24.2 percent compared to the end of Q1 2024), industry (+3.5 percent), trade and commercial operations (+0.3 percent), and agriculture (+10.5 percent) were the main sectors of lending in foreign currency.

The weighted average interest rate on new credits in the national currency amounted to 20.01 percent in January–September, having slightly increased compared to the same period of 2023. The weighted average interest rate on new credits in foreign currency amounted to 9.08 percent, having slightly changed compared to January – September 2023. However, in Q3 2024, the weighted average interest rate on new credits in the national currency decreased by 0.3 p.p. compared to Q2 of the current year and by 0.4 p.p. compared to Q3 2023 and made 19.71 percent. In the current quarter, the weighted average interest rate on new credits in foreign currency amounted to 8.88 percent (–0.5 p.p. compared to the previous quarter and –0.1 p.p. compared to Q3 of the previous year).

At the end of Q3, the credit market general concentration index was stable at 0.09. This index corresponds to a low level of concentration and is equivalent to the division of the market among eleven banks. The sectoral concentration index remained was kept unchanged at 0.28, being equal to the previous quarter.

At the end of Q3 2024, the qualitative characteristics of the credit portfolio were as follows: the share of overdue credits in the credit portfolio was formed at 2.4 percent (–0.1 p.p.) year-to-date, the share of extended credits decreased down to 2.7 percent (–1.9 p.p.).

**3.3. Dynamics of Monetary Indicators**

In the reporting quarter, there was slowdown in the growth rate of reserve money by 7.5 p.p. compared to the growth rate of the previous quarter. Throughout the reporting period, the restraining effect in growth of the monetary base was primarily provided by the transactions of the fiscal sector, 63.6 percent thereof are tax revenues, and 19.9 percent – non-tax revenues. This period fell on the season of property taxes payment to result in an increase of tax revenues.

In July and August of the current year, generally, the transactions of the monetary sector stimulated expansion of the monetary base, however, in September, the restraining effects were strengthened due to the prevalence of the transactions on liquidity withdrawal from the banking system. This contributed to formation of the negative growth rate of the monetary base by 3.2 percent compared to August.

There were insignificant changes in the structure of the monetary base compared to the previous period: the share of cash in circulation constituted 85.8 percent, having increased by

5.7 percent amid a decrease in the share of reserves of other deposit corporations in the national currency by 13.8 percent.

At the end of the period, the volume of monetary base increased by 2.4 percent compared to the previous period and amounted to KGS 274.3 billion.

### Monetary Aggregates

Upward dynamics was observed in all monetary aggregates in annual terms and as compared to the previous quarter. However, the rates of their increase slowed down compared to Q2 following a decrease in the growth of transferable deposits (money on current and demand accounts) by 17.3 p.p. and money in circulation by 4.6 p.p. This decrease was of seasonal nature and partially fell on the period of repayment by the population of liabilities on taxes and other obligatory payments related to preparatory activities for the new academic year.

Finally, at the end of the period, transferable deposits increased by 4.5 percent compared to the previous quarter (a quarter earlier this indicator was 21.7 percent) and amounted to KGS 159.7 billion. Money in circulation increased by 5.7 percent (in Q2, 10.3 percent) and totaled KGS 235.4 billion.

There was an overflow of available funds from demand accounts to time deposits of the commercial banks. Deposits in foreign currency demonstrated outstripping growth by 7.9 p.p., up to 14.2 percent, and time deposits in the national currency grew by 1.5 p.p., up to 5.1 percent compared to the upward dynamics in Q2. The volumes of these monetary aggregates' components were formed at KGS 179.5 billion and KGS 84.7 billion, respectively.

The dynamics of monetary aggregates was as follows:

- *money outside banks (M0)* increased by KGS 10.4 billion (+5.3 percent) compared to the previous period and amounted to KGS 206.9 billion (in annual terms, growth by 19.1 percent);

- *narrow money (M1)* grew by KGS 17.2 billion (+4.9 percent) and amounted to KGS 366.6 billion (in annual terms, growth by 28.2 percent);

- *broad money (M2)* increased by 21.3 billion KGS or by 5.0 percent (in annual terms, growth by 28.6 percent), up to KGS 451.3 billion;

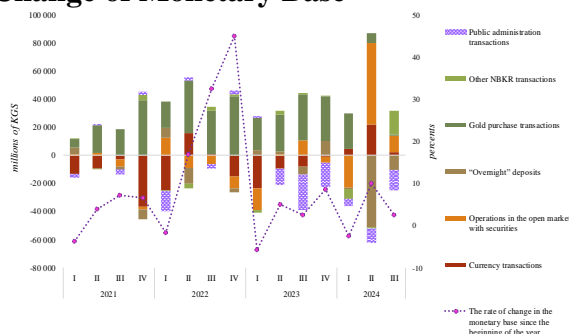
- *broad money, including deposits in foreign currency (M2X)*, increased by KGS 43.7 billion, or by 7.4 percent and amounted to KGS 630.8 billion at the end of the period (in annual terms, growth by 30.6 percent).

The share of the total deposit base included in M2X grew by 37.1 percent in annual terms, up to KGS 423.8 billion.

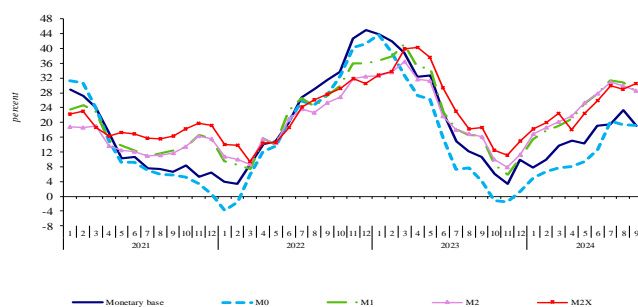
Broad money supply was distributed as follows:

- *money outside banks* – 32.8 percent;
- *transferable deposits in the national currency* – 25.3 percent;
- *time deposits in the national currency* – 13.4 percent;
- *deposits in foreign currency* – 28.5 percent.

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



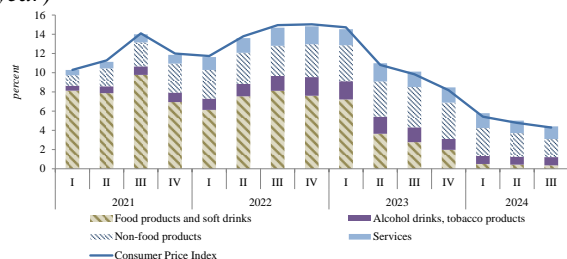
**Chart 3.3.2. Nominal Growth Rates of Monetary Aggregates (in annual terms)**



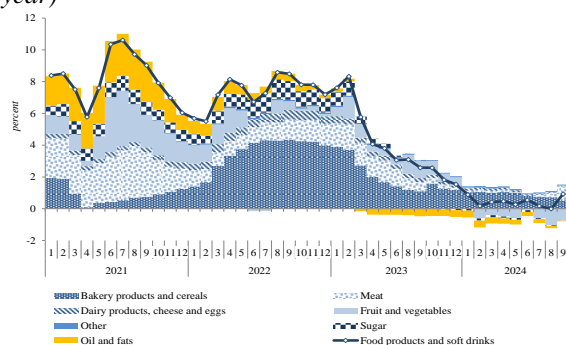
## Chapter 4. Inflation Dynamics

### 4.1. Consumer Price Index

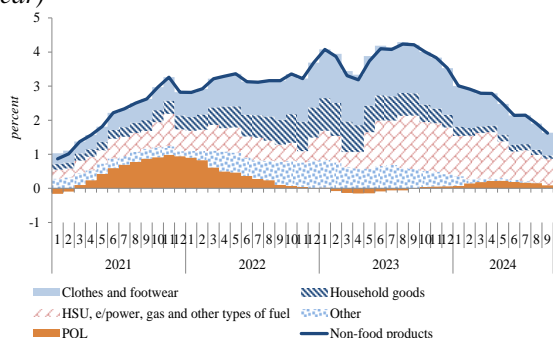
**Chart 4.1.1. Dynamics of CPI Structure**  
(quarter to the corresponding quarter of the previous year)



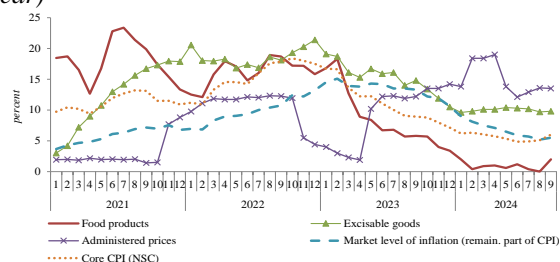
**Chart 4.1.2. Dynamics of Food Prices' Contribution to Annual CPI**  
(month to the corresponding month of the previous year)



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



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



In Q3 2024 (quarter-on-quarter), the annual inflation rate slowed down to 4.3 percent, from 4.8 percent in Q2. At the beginning of the reporting period, prices demonstrated stable slowdown, however at the end of the quarter there was noticeable increase in prices for food products and services.

In September 2024, the annual inflation rate in the Kyrgyz Republic was 4.9 percent (in August, 3.8 percent).

In September 2024, contribution of food products to annual CPI decreased by 1.7 p.p. compared to September 2023 and amounted to 0.9 p.p. In the reporting period, prices for meat, bakery products and cereals made the main contribution to the CPI in the food commodity group. There was increase in prices primarily for meat, soft drinks, fish, bakery products and cereals in this commodity group. At the same time, there was a seasonal decrease in prices for vegetables and fruits, as well as a decline in prices for sugar, oils and fats.

The non-food commodity group demonstrated stable downward trend. In September 2024, prices for non-food products increased by 5.6 percent in annual terms.

In September 2024, contribution of non-food products to annual CPI decreased by 2.6 p.p. compared to the corresponding month of the previous year and amounted to 1.6 p.p. Inflation in the non-food commodity group is conditioned by steady growth in consumer demand, tariff policy measures and price fluctuations in the world markets of oil products and in the external markets of imported goods.

A decrease in the growth rates of prices for such items as petroleum, oil and lubricants, housing services, water, electricity, gas and other fuels, clothes and footwear, household goods and household appliances contributed to slowdown of the inflation rate in the non-food commodity group.

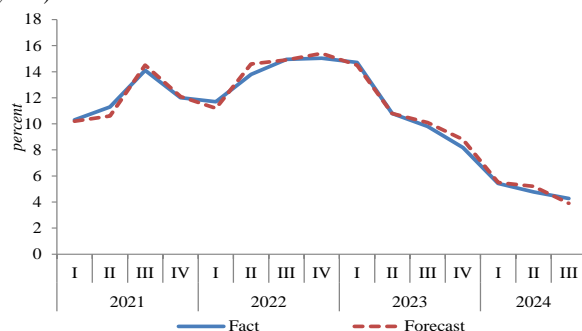
In September 2024, growth in prices for paid services was 9.3 percent in annual terms, contribution to the overall CPI was 1.6 p.p. Accelerated growth rates of prices for services is primarily conditioned by an increase

in tuition fees. Rise in tuition fees results from lifted moratorium, under which tuition fees were not increased during three years since 2021. Moreover, there was stable increase in prices for the services of restaurants and hotels, health care and transport.

### 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 Q3 2024, the actual inflation rate increased slightly compared to the forecasted value expected by the National Bank. Deviation of the actual inflation rate from the forecasted one amounted to 0.4 p.p.

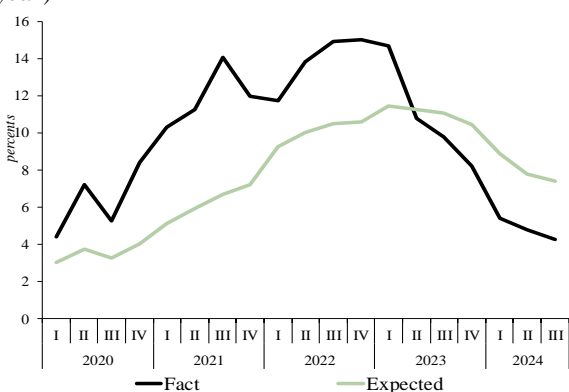
### Inflation Expectations

In Q3 2024, according to the surveys of the NSC KR, inflation expectations of the population decreased compared to the previous quarter, however they still remain at a relatively high level (Chart 4.2.2). Despite decline in price expectations among the enterprises, they are still high compared to the actual inflation rate, as shown in Chart 4.2.3.

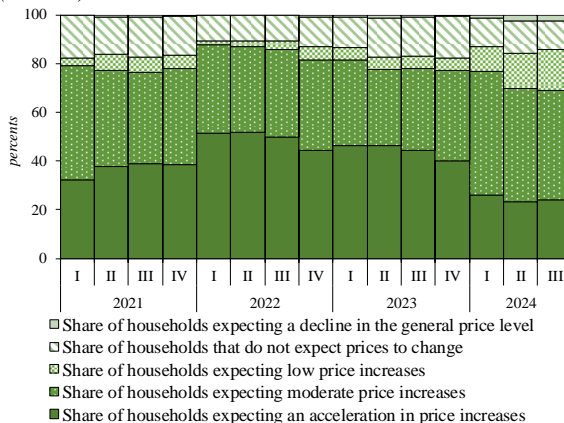
In Q3 2024, price expectations of the population still exceed the actual inflation rate. The share of respondents expecting accelerated price growth decreased gradually, meanwhile the share of respondents expecting slow price growth increased compared to the previous quarter.

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

(quarter to the corresponding quarter of the previous year)



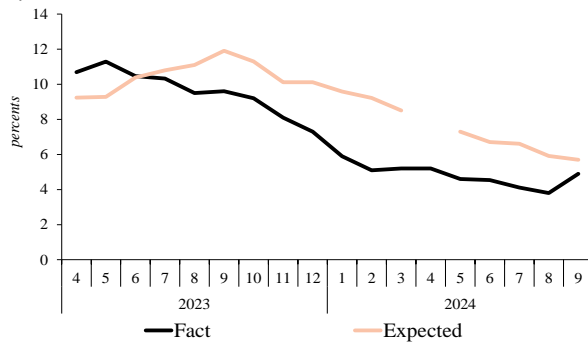
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The study of the World Bank data conducted among 1,500 households in the Kyrgyz Republic regarding inflation expectations (Chart 4.2.4 and Chart 4.2.5) revealed general decrease in households' price expectations amid an increase in the actual inflation rate in September 2024.

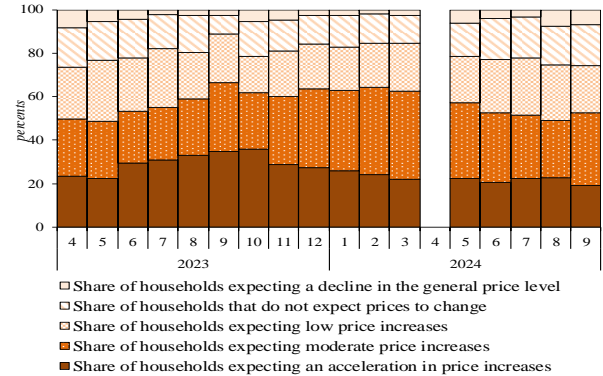
**Chart 4.2.4. Actual Inflation Value, Observed and Expected Inflation of Households (WB)**

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



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

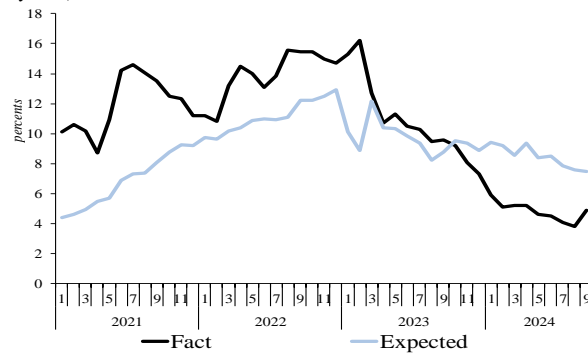
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In general, since the beginning of 2024, inflation expectations of the enterprises declined, which correlates with the current dynamics of the actual inflation rates, excluding the indicators of April 2024, where inflation expectations increased amid planned growth in the electricity tariff at that time.

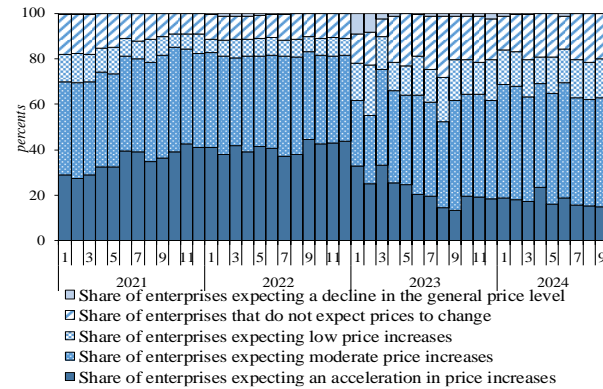
**Chart 4.2.6. Actual Inflation Value, Observed and Expected Inflation of Enterprises**

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



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

*(shares)*





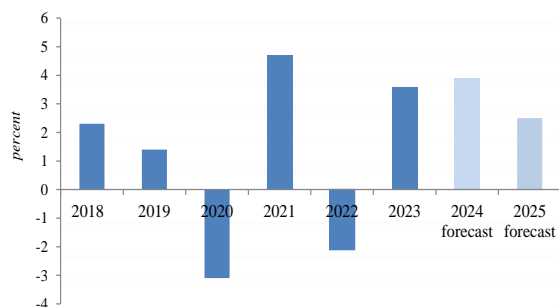
## Chapter 5. Medium-Term Forecast

### 5.1. External Environment Proposals

#### 5.1.1. Development Forecast of Main Trading Partner Countries

##### Russia

**Chart 5.1.1.1. Real GDP Growth in Russia**  
(year to year)



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

There are mixed expectations for economic growth of Russia amid tight monetary policy.

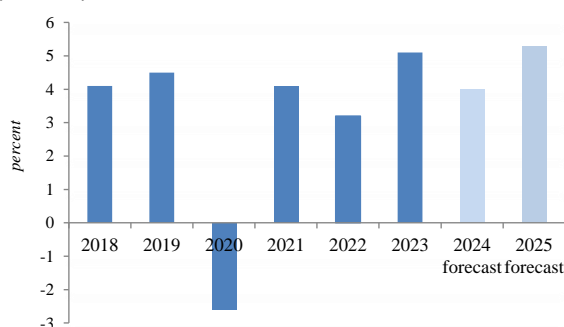
In September, the Ministry of Economic Development of the Russian Federation improved its forecast for economic growth in 2024 up to 3.9 percent from 2.8 percent and up to 2.5 percent from 2.3 percent in 2025. In October 2024, the Bank of Russia maintained its July forecast for economic growth at 3.5-4.0 percent in 2024, 0.5-1.5 percent and 1.0-2.0 percent in 2025-2026, respectively. A decrease in growth rates will be conditioned by tight

monetary conditions during the forecast period.

The international organizations also revised their forecasts. Thus, the IMF analysts expect the Russian economy to grow by 3.6 percent in October 2024 instead of 3.2 percent in July, however the forecast for Russia’s GDP in 2025 was reduced by 0.2 p.p. and amounted to 1.3 percent. The IMF analysts indicate high budget expenditures, active investments and stable consumption<sup>1</sup> as the factors of economic growth. At the same time, the World Bank in its updated forecast<sup>2</sup> raised Russia’s GDP growth from 2.9 up to 3.2 percent in 2024 and from 1.4 up to 1.6 percent in 2025.

##### Kazakhstan

**Chart 5.1.1.2. Real GDP Growth in Kazakhstan**  
(year to year)



Source: IA Bloomberg, international financial institutions

In 2024, domestic demand will be the main source of GDP growth in Kazakhstan.

According to the NBRK’s August monetary policy report, the forecast of GDP growth in 2024 was kept unchanged at 3.5-4.5 percent. The economic growth will be provided by implementation of the investment projects in industry, agriculture and other sectors of the economy resulted from updating the energy and transport infrastructure, as well as an increase in construction works. Exports are expected to grow due to a slight increase in oil production compared to 2023, as well as an increase in

export of metals and crops. GDP growth will be restrained by the positive dynamics of domestic demand, which will stimulate imports.

In 2025, the economy will grow by 5.0-6.0 percent (previous forecast: 4.8-5.8). In addition to significant support for economic growth from the oil sector and exports, domestic demand, supported by fiscal stimulus and consumer lending, will make a positive contribution to GDP growth. The forecast for 2026 is kept unchanged at 4.9-5.9 percent.

<sup>1</sup> World Economic Outlook (IMF, October 2024).

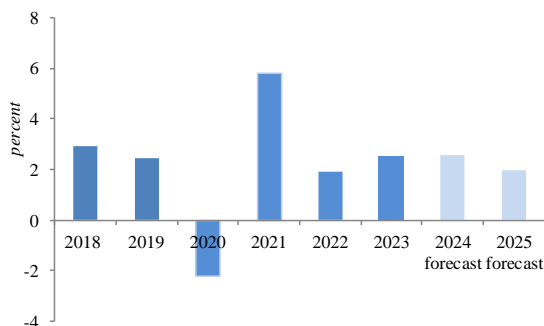
<sup>2</sup> Economic Outlook for Developing States of Europe and Central Asia (WB, October 2024).

**The assumptions and trajectory of the forecast inflation dynamics did not suffer significant changes.** The NBK’s forecast for inflation in 2024 and 2025 was kept unchanged at 7.5-9.5 percent and 5.5-7.5 percent, respectively, and is expected to approach the target of 5.0 percent in 2026.

**USA**

**Chart 5.1.1.3. Real GDP Growth in the USA**

(year to year)



Source: IA Bloomberg, international financial institutions

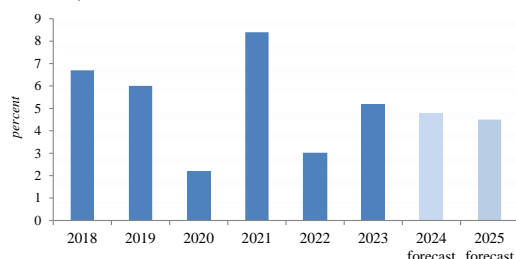
The average US GDP to increase by 2.6 percent in 2024 and by 1.8 percent in 2025. The IMF forecasts the U.S. economy to grow by 2.8 percent in 2024 and by 2.2 percent in 2025.

Annual inflation in the USA demonstrates stable slowdown, meanwhile the core inflation remains relatively high (3.3 percent) compared to the target. The US Federal Reserve System’s median forecast for PCE inflation<sup>1</sup> constitutes 2.3 percent for 2024 and 2.1 percent for 2025.

**China**

**Chart 5.1.1.4. Real GDP Growth in China**

(year to year)



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

**The international analysts forecast the US economy to be the main driver of global growth in 2024-2025, as before, being supported by stable consumer expenditures despite inflation and high interest rates.** At the same time, economic growth slowdown is still observed amid monetary policy measures taken earlier to restrain inflation and geopolitical uncertainty.

The US Federal Reserve System’s forecasts for the GDP growth rate in 2024-2026 remain at the level of 2.0 percent annually.

Bloomberg IA analysts expect the average US GDP to increase by 2.6 percent in 2024 and by 1.8 percent in 2025. The IMF forecasts the U.S. economy to grow by 2.8 percent in 2024 and by 2.2 percent in 2025.

**China's economic growth expectations for 2024 were kept unchanged due to weak consumer demand.**

In Q3, China’s GDP grew by 4.6 percent (Q1, by 5.3 percent, Q2, by 4.7 percent). The Chinese government’s target economic growth in 2024 - at about 5.0 percent - may be achievable due to introduction of significant measures to stimulate the economy.

At the same time, the international analysts, paying attention to the economic growth performance in the first three quarters and the scale of monetary measures introduced by the People’s Bank of China, are still not convinced that the effect of stimulus packages to increase consumption and achieve the target will be rapid. The IMF changed its forecast for GDP growth in 2024 from 5.0 percent to 4.8 percent, however it kept expectations for 2025 unchanged at 4.5 percent.

Bloomberg IA consensus forecast for economic growth in 2024 constitutes 4.8 percent. The analysts believe that growth will be constrained by domestic demand. In turn, the Chinese government plans to achieve the target and introduce additional measures to recover demand.

The Chinese government is focused on the target inflation rate of 3.0 percent in 2024. Meanwhile, the IMF expects China’s inflation rate at about 0.4 percent in 2024, while Bloomberg IA consensus forecast was 0.5 percent for 2024.

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

The international experts believe that an increase in the scale and intensity of measures to promote consumer activity will contribute to target achievement.

## 5.2. Medium-Term Forecast

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

Inflation slowdown dynamics was still observed in the Kyrgyz Republic in Q3 2024. The vector chosen in 2022 to tighten the monetary policy and gradual stabilization of external conditions contributed to the inflation decline. Noticeable decrease in price growth is observed in all main commodity groups (food, non-food and services).

In the reporting quarter, the price environment in the world food (FAO index) and commodity markets (prices for energy resources) demonstrated upward trend, however, global uncertainty is still high.

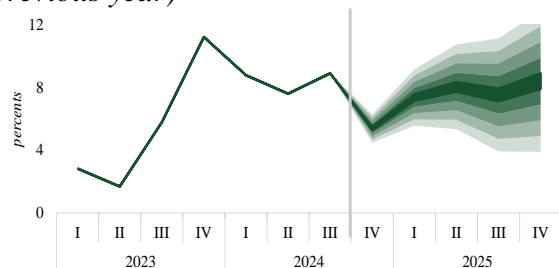
In Q3 2024, business activity in the Kyrgyz Republic demonstrated positive dynamics. Growing consumer lending, growth of real wages and net inflow of remittances into the country contributed to an increase in domestic demand.

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

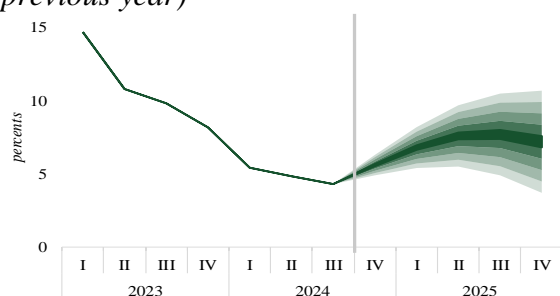
The following forecast of the key macroeconomic indicators of the Kyrgyz Republic for 2024-2025 was developed considering the emerging trends in the economic development of the trading partner countries, as well as the price movement in the world commodity markets in the medium term.

**Conducted analysis shows that, in 2024, the real sector of the economy of Kyrgyzstan will demonstrate growth above the average level of the last three years.**

**Chart 5.2.1. Forecast of Real GDP**  
*(quarter to the corresponding quarter of the previous year)*



**Chart 5.2.2. Inflation Forecast**  
*(quarter to the corresponding quarter of the previous year)*



At the end of 2024, the real GDP growth is estimated at about 7.5 percent. This growth is expected to be supported by the manufacturing industry, wholesale and retail trade, as well as the construction sector, demonstrating strong growth due to the fiscal policy measures taken by the Cabinet of Ministers of the Kyrgyz Republic and observed high activity of the business entities.

In 2025, the real GDP growth rates are forecasted at 6.5 percent.

Given the domestic market environment and the emerging economic conditions in the trading partner countries, by the end of 2024, the annual inflation rate is expected below the upper rate of the medium-term target range and will be about 6.5 percent.

Revision of forecasts upward is conditioned by higher growth in prices for certain categories of food products compared to expectations due to increased foreign demand.

In September, an increase in tuition fees made an additional contribution to services inflation.

Until the end of 2024, some acceleration in the growth rate of food prices is expected amid low base of the previous year and the current situation in the world food market.

The forecast for non-food inflation was adjusted upward due to expected rise in prices for goods and services due to an increase in electricity tariffs for other non-domestic consumers on November 26, 2024.

At the end of 2025, the annual inflation rate is expected within the medium-term target range. The following factors may be the main sources of inflationary pressure, namely accelerating inflation in the countries of the region, high demand, price fluctuations in the world food markets and in the markets of petroleum products, moderately high inflationary expectations of the economic agents.

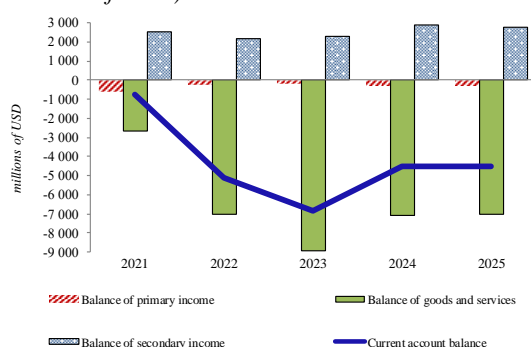
### 2024-2025 Balance of Payments Forecast <sup>1</sup>

The data of the actual period and specified initial development conditions of the trade partner countries of the Kyrgyz Republic served as a basis for revising the forecast indicators of the balance of payments and predetermined the forecast horizon for 2024. At the same time, as before, the external sector is still characterized by a high degree of uncertainty.

At the end of 2024, a decrease in the negative balance of goods and services account and a surge in the secondary income account are expected to be the determining factors for a current account balance deficit to be formed at 28.8 percent to GDP.

#### Chart 5.2.3. Forecast Data on Current Account

(millions of USD)



Expectations on external trade are adjusted by the data of the actual period and short-term future prospects. The terms of trade in the region, the world prices for food and energy resources, as well as gold exports will considerably have an effect on the exports and imports, as before.

In consonance with forecast, at the end of 2024, exports will increase by 20.8 percent compared to 2023. Supplies of intermediate and consumer goods will make a meaningful contribution to an expansion in exports.

Imports will remain at a rather high level. Simultaneously, their reduction is expected (imports will decrease by about

1.4 percent in comparison to 2023). Consumer and intermediate goods will dominate in the structure of imports.

**In the reporting period, the forecast of the secondary income balance was altered taking into account the data of the actual period.** According to the updated forecast, the secondary income balance will go up mainly at the expense of the growth of inflows on the item “workers’ remittances” by 23.5 percent. The inflow to the general government sector is also predicted to increase by 5.1 times in contrast to the previous year’s level.

The services balance will develop positive under the influence of fast excess of export of “other services” over import thereof, as well as the values of net inflows on the item “travels” being in the positive zone.

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

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

of financial capital inflow. The volume of servicing previously received credits of the private sector will remain at higher level against the previous year.

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

In 2025, deficit of the current account balance will be formed at 21.9 percent to GDP under the influence of a combination of factors associated with a reduction of the trade balance deficit, deterioration of the positive balance of services and the negative balance of primary income, as well as decline in the inflows on the secondary income balance.

According to the National Bank's estimates, expected decrease in exports by 1.1 percent and decline in imports by 2.3 percent will slightly affect the reduction of the trade balance deficit (by 3.0 percent compared to 2024). The volume of inflows on the item "workers' remittances" of the secondary income balance is expected to go down by 2.7 percent compared to 2024.

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

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

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

## Annex 1. Key Macroeconomic Indicators

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

Indicator	Unit of measure	2021				2022				2023				2024		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>1. Demand and supply<sup>1</sup></b>																
<i>(real growth rates, if otherwise is not indicated)</i>																
Nominal GDP, per quarter	min. KGS	137 662.6	172 402.9	224 058.7	248 730.1	168 137.2	227 481.2	292 245.0	332 881.2	210 822.5	273 978.9	350 607.9	393 489.5	248 821.6	310 902.1	392 047.1
GDP	%	-4.8	6.3	3.8	13.3	3.4	8.3	8.2	13.2	2.8	1.7	5.8	11.2	8.8	7.6	8.9
Domestic consumption	%	-1.2	12.3	11.7	32.8	17.5	7.8	13.3	19.3	1.6	11.3	6.8	13.0	15.9	10.6	
Investment	%	20.6	108.9	6.7	15.2	-9.9	249.0	68.4	10.9	33.3	-35.5	14.5	-5.4	8.9	37.0	
Net export	%	30.9	159.4	46.6	91.7	39.3	384.7	84.2	28.5	110.1	88.7	69.1	60.3	15.6	-18.0	
<i>GDP production:</i>																
Agriculture	%	1.2	-5.2	-6.7	-2.0	1.5	3.9	8.0	10.8	0.0	0.6	-1.2	4.8	1.4	4.4	8.4
Industry	%	-15.6	-5.8	0.6	43.9	8.2	22.8	20.2	1.8	8.7	-7.7	-1.0	11.2	4.7	-2.3	10.0
Construction	%	-20.3	-13.2	-4.0	2.7	-1.4	5.2	-1.0	19.1	2.2	16.4	19.0	5.1	53.8	45.7	26.8
Services	%	-1.2	6.5	5.8	3.3	1.8	4.6	3.7	8.9	1.4	2.3	2.5	3.0	5.1	4.3	4.3
including trade	%	-2.7	13.1	8.8	8.0	2.7	5.3	6.9	10.5	1.5	4.3	8.9	7.7	8.0	7.5	5.9
<b>2. Prices<sup>2</sup></b>																
CPI	%	110.3	111.3	114.1	112.0	111.7	113.8	115.0	115.0	114.7	110.8	109.8	108.2	105.4	104.8	104.3
CPI, in annual terms as of the end of period	%	110.2	114.2	113.5	111.2	113.2	113.1	115.5	114.7	112.7	110.5	109.6	107.3	105.2	104.5	104.9
Core inflation	%	110.1	110.6	113.0	111.3	111.8	114.4	117.4	118.0	115.6	111.8	109.3	108.0	106.2	105.3	105.3
<i>CPI by main groups of goods and services:</i>																
Food products	%	117.9	117.3	121.5	115.3	113.5	116.6	117.9	116.7	115.9	108.0	106.1	104.3	101.1	101.0	100.8
Non-food products	%	103.7	106.4	108.6	110.4	110.3	111.2	110.9	111.8	121.9	120.5	117.9	113.1	109.8	109.5	109.8
Alcohol drinks and tobacco products	%	106.0	108.3	110.4	111.3	113.6	114.9	117.8	122.5	112.9	112.7	114.4	113.1	110.0	108.5	106.5
Services	%	103.3	104.1	105.0	105.4	107.9	109.0	111.1	111.0	109.9	111.2	109.6	109.3	109.1	107.7	107.8
<i>CPI, classified by character:</i>																
Excisable goods	%	102.1	102.3	115.5	117.7	118.8	117.5	117.9	120.3	117.9	116.0	114.9	111.9	109.8	110.3	109.9
Regulated prices	%	102.7	102.7	101.8	106.0	110.9	111.9	112.2	107.0	103.1	108.1	112.1	113.8	116.9	114.8	113.3
Market inflation rate (the rest of CPI)	%	101.0	102.2	106.8	107.1	107.4	109.1	110.4	112.6	114.5	114.1	113.4	111.6	108.2	106.5	105.5
<b>3. External sector<sup>3</sup></b>																
<i>(in percent to GDP)</i>																
Trade balance	% to GDP	-18.3	-18.0	-21.7	-26.2	-34.5	-45.9	-56.5	-56.6	-57.9	-60.2	-57.8	-58.8	-62.2	-60.7	-52.7
Current transaction account	% to GDP	3.5	4.5	-1.0	-8.0	-18.3	-32.1	-43.1	-42.1	-42.9	-46.1	-46.9	-48.3	-52.6	-51.0	-36.6
Export of goods and services	% to GDP	28.9	36.4	36.8	35.7	34.8	28.3	26.6	29.7	31.6	33.4	36.2	39.0	39.5	37.4	49.6
Import of goods and services	% to GDP	50.0	57.0	60.8	64.2	71.6	76.2	84.9	87.2	90.0	95.5	97.2	102.5	107.3	103.7	101.9
<b>4. USD exchange rate, as of the end of period</b>																
	KGS	84,7792	84,6640	84,7907	84,7586	83,3090	79,5000	80,1829	85,6800	87,4200	87,2267	88,7100	89,0853	89,4708	86,4454	84,2000
<b>5. Monetary sector</b>																
NBKR policy rate, as of the end of period	%	5.50	6.50	7.50	8.00	14.00	14.00	14.00	13.00	13.00	13.00	13.00	13.00	13.00	9.00	9.00
Rate of "overnight" deposit, as of the end of period	%	3.25	4.25	5.25	5.50	12.00	12.00	12.00	10.00	10.00	11.00	11.00	11.00	11.00	5.00	4.00
Rate of "overnight" credit, as of the end of period	%	6.00	7.00	8.00	8.50	16.00	16.00	16.00	15.00	15.00	15.00	15.00	15.00	15.00	11.00	11.00
<i>Average interest rates of operations in the interbank credit market, per quarter</i>																
	%	4.15	5.32	6.52	6.82	8.85	14.66	13.00	11.99	10.52	11.29	11.64	12.11	11.71	9.12	5.22
<i>of which:</i>																
of REPO transactions	%	4.15	5.32	6.52	6.82	8.85	14.66	13.00	11.99	10.52	11.29	11.64	12.11	11.71	9.12	5.22
of credits in national currency	%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of credits in foreign currency	%	-	-	7.00	-	-	-	-	-	-	-	-	-	-	-	-
Weighted average yield of 7-day notes, as of the end of period	%	4.37	5.16	6.10	6.57	11.86	13.11	12.82	11.41	10.35	11.57	11.86	11.95	11.94	5.91	3.44
Weighted average yield of 14-day notes, as of the end of period	%	4.84	5.72	6.54	6.93	11.45	13.57	13.11	12.17	11.27	11.82	12.01	12.01	-	-	-
Weighted average yield of 28-day notes, as of the end of period	%	4.99	6.08	6.89	7.26	11.09	13.82	13.46	12.57	12.37	12.16	12.11	12.08	12.09	5.14	3.59
Weighted average yield of 91-day notes, as of the end of period	%	5.28	5.43	7.45	-	8.79	-	15.19	13.81	13.52	13.98	13.88	13.78	13.96	11.22	-
Weighted average yield of 182-day notes, as of the end of period	%	-	-	-	-	-	-	-	-	-	14.67	14.79	14.90	14.74	12.13	-
Monetary base	%	24.2	10.7	6.6	6.5	8.8	19.8	31.7	44.9	38.8	22.5	10.8	9.9	13.7	19.1	19.2
Money outside banks (M0)	%	23.7	9.2	5.8	0.5	5.7	20.5	27.5	41.3	32.5	16.0	4.0	1.3	7.8	12.7	19.1
Monetary aggregate (M1)	%	22.9	12.4	12.3	15.7	7.4	23.1	27.3	36.1	41.2	22.7	16.4	10.2	19.0	27.8	28.2
Narrow money supply (M2)	%	18.9	12.0	11.7	15.6	8.6	20.8	25.3	32.5	36.5	21.6	16.2	11.4	20.3	27.7	28.6
Money supply (M2X)	%	18.6	16.9	16.2	19.1	9.5	18.6	27.5	30.6	40.0	29.4	18.7	15.0	22.4	26.0	30.6

<sup>1</sup> Estimates of the National Bank of the Kyrgyz Republic on the basis of the data provided by the National Statistics Committee of the Kyrgyz Republic<sup>2</sup> Source: National Statistics Committee of the Kyrgyz Republic<sup>3</sup> Coefficients were calculated on the basis of the sliding annual data for the last 4 quarters. Data for Q3 are preliminary

## Annex 2. Glossary

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

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

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

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

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

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

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

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

**M0** – cash in hands.

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

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

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

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

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

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

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

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

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

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

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

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

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



**Annex 3. Abbreviations**

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