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## Press Release

### **National Bank of the Kyrgyz Republic keeps its policy rate unchanged at 9.00 percent**

On February 24, 2025, the Board of the National Bank of the Kyrgyz Republic decided to keep the policy rate (key rate) unchanged at 9.00 percent. The decision becomes effective as of February 25, 2025.

Due to the open character of the economy in the Kyrgyz Republic, changes in the external environment (in the global economy as a whole and in the region) remain the main factors determining price dynamics in the country. World food prices in recent months demonstrate upward dynamics. Meanwhile the global financial and commodity markets remain highly volatile due to persistent geopolitical factors. Inflationary processes continue to develop at a relatively high level in certain countries-trading partners of the Kyrgyz Republic. In general, the geopolitical situation in the world causes uncertainty of foreign economic trends, including further trajectory of the global inflation.

In the Kyrgyz Republic, economic activity continues to expand mainly due to activity in the services and construction sectors. In January 2025, real GDP grew by 10.6 percent compared to January 2024 (9.0 percent in 2024). Stable domestic demand is supported by growth of real incomes of the population, net inflow of individuals' remittances to the country and an increase of consumer lending in the banking sector.

Inflationary background in the Kyrgyz Republic remains moderate – inflation since the beginning of the year was 1.5 percent<sup>1</sup>, while in annual terms – 6.9 percent<sup>2</sup>. The non-food component of inflation demonstrates slowdown in price growth, at the same time, the prices for food products and services remain moderate, reflecting the impact of secondary effects of earlier inflation factors (including an increase in administered prices and growth in real wages).

Supported monetary conditions contributed to maintaining stability in the interbank money and foreign exchange markets, thus ensuring purchasing power of the national currency. Lending to the real sector of the economy continues. In 2024, the loan portfolio of the commercial banks increased by 32.2 percent and amounted to KGS 340.7 billion. At the same time, the interest rate policy of the National Bank contributed to keeping the banks' deposit rates attractive, which ensured the inflow of population funds into the banking system. In 2024, the total deposit base of the banks increased by 37.3 percent, up to KGS 592.4 billion. The commercial banks have excess liquidity, the level thereof is actively regulated by the monetary instruments of the National Bank to ensure equilibrium volume of money supply in the economy.

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<sup>1,2</sup> As of February 14, 2025

External economic conditions remain ambiguous due to geopolitical factors and are characterized by high uncertainty. At the same time, the impact of internal factors (planned revision of the state tariff policy and stable domestic demand) on price movement is estimated as moderate. Therefore, the decision was made to keep the policy rate of the National Bank unchanged at 9.00 percent, which will make it possible to keep the inflation rate within the medium-term target of 5-7 percent.

The National Bank will continue to assess the emerging external and internal economic conditions and will adhere to a balanced approach to conducting monetary policy. In case of any risks for price stability, the National Bank does not exclude the possibility of making additional adjustments to the current monetary policy.

The next regular meeting of the Board of the National Bank of the Kyrgyz Republic on the policy rate is scheduled for April 28, 2025.