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**Behind the Kyrgyz economic growth:
Trends, Challenges and Projections
Economy of Kyrgyzstan in 2025**

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MCC CIE Papers

Publisher:

MCC Center for International Economy

Address:

1113 Budapest, Tas vezér utca 3-7.

<https://cie.mcc.hu>

Editor:

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Budapest 2025.

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ISSN 3004-2607

Abstract

After the collapse of the Soviet Union, the newly independent Kyrgyzstan was left with a weak economic base, including a loss of subsidies from Moscow, and government revenues declined precipitously due to decreases in the amounts of goods imported into the country. However, the Kyrgyz economy has seen deep structural changes since the decades. Agriculture was the most important economic sector for a long time. However, been partially supplanted by the service industry. The Kyrgyz Republic has demonstrated remarkable economic resilience and dynamism between 2022 and 2024, achieving an average annual Gross Domestic Product (GDP) growth of 9 percent. This huge expansion was primarily fueled by a significant surge in re-export trade, strong domestic demand supported by strong remittance inflows, wage growth, and substantial investment, particularly in the construction sector. Looking ahead to 2025, the consensus among international financial institutions and national authorities points towards a moderation in GDP growth, though projections vary.

Keywords: Kyrgyzstan, economy, outlook

Introduction

For decades, Kyrgyzstan has been classified as a low-income country at global and regional levels. However, according to [data](#) from the World Bank by 2024, the country had transitioned out of this category. Its nominal gross domestic product (GDP) per capita is currently above 2,000 dollars, and its purchasing power parity (PPP) is approximately 6,500 dollars. The country's economy is significantly reliant on gold exports, which constitute approximately 12-15 percent of the country's GDP and nearly half of its total exports. Additionally, remittances from Kyrgyz citizens employed abroad, predominantly in Russia¹, account for over a quarter of the country's GDP. The combined impact of the global pandemic and political unrest in 2020 triggered a recession in Kyrgyzstan, the severity of which has not been witnessed since 1994, with a decline in GDP of 8.6 percent.

Kyrgyzstan's close economic ties [with China](#) have facilitated infrastructure projects in the country. Kyrgyzstan has long sought to attract foreign investment to expand its export base (e.g., construction of hydroelectric power plants), but the challenging business environment and disputes with foreign investors have thus far constituted a significant impediment to the country's investment attractiveness. Following the protests that occurred in the wake of the 2020 parliamentary elections, Sadir Japarov was [elected](#) president of the country in January 2021 with a significant margin. In April 2021, the Central Asian country proceeded to transform its parliamentary system into a presidential system by calling for a [referendum](#).

Furthermore, Kyrgyzstan is among the most economically disadvantaged countries in the Central Asian region, although poverty is gradually declining. The Asian Development Bank (ADB) estimates that approximately 33.2 percent of the population [lives](#) below the national

¹ This figure has declined somewhat in recent years due to the weakness of the Russian economy, and it is probable that the economic impact of the Russian-Ukrainian conflict on Russia will further exacerbate this decline.

poverty line in 2022. Nevertheless, income disparity in the country has been on a gradual decline since 2006, as evidenced by the expansion of employment opportunities, an increase in the minimum wage, the expansion of social support systems, and the enhancement of the quality of education.

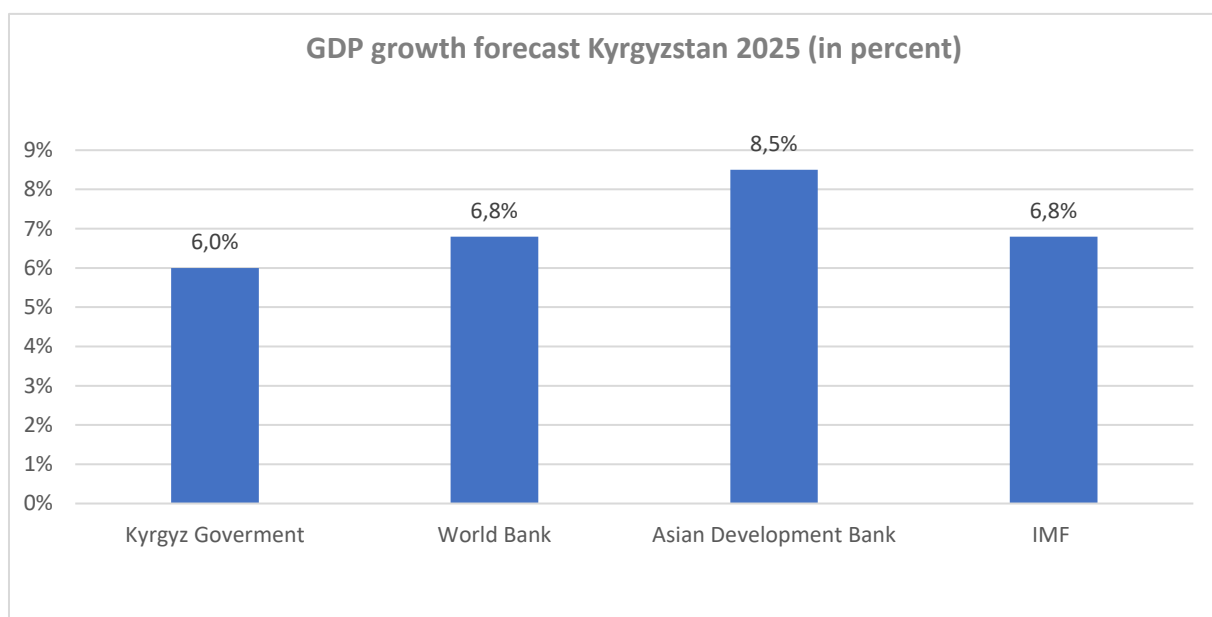
GDP growth

Kyrgyzstan's economy proved resilient and dynamic between 2022 and 2024, with an average annual real GDP growth rate of [9 percent](#) . This period of high growth was significantly influenced by robust domestic demand, substantial inflows of remittances, increased trade (including significant re-export activities), and strong investment in construction. The momentum observed in the early months of 2025 was sustained, with the National Statistical Committee [reporting](#) a 11.7 percent increase in GDP during the initial four months of 2025, in comparison to the corresponding period in 2024. For the first quarter of 2025, real GDP growth reached [13.1 percent](#). This initial performance indicates sustained dynamism, although forecasts from multiple institutions foresee a moderation as the year progresses and the impact of transitory factors, such as the re-export surge, wanes.

Kyrgyzstan key macroeconomic indicators			
Indicator	2023	2024 (Estimate/ Actual)	2025 (Forecast)
Real GDP Growth (in percent)	9.0	9.0	6.0 - 8.5 (range)
Nominal GDP (USD Billion)	15.1	17.5 - 17.7	19.0 - 19.8
GDP per capita (US dollar)	2,185	2,400 -2,504	2,500 - 2,747
Inflation, CPI (average in percent)	10.8	5.0 - 6.7	5.0 - 7.0
Unemployment Rate (in opercent)	4.1	4.0 (S&P)/1.8 (Official)	3.8 (S&P) / ~4-5 (ILO est.)
Fiscal Balance (percent of GDP)	+1.8 to +3.3	+1.8 to +2.8	-3.4 to +1.0 (range)
Public Debt (percent of GDP)	42.0 - 44.9	36.6 - 37.5	<42

Source: S&P and National Statistical Committee of the Kyrgyz Republic

The forecasts for GDP growth in 2025 exhibit significantly vary among international organizations and national authorities, reflecting divergent assumptions regarding the longevity of recent growth and its drivers, resp. the influence of external factors. The International Monetary Fund (IMF) [projects](#) that GDP growth will slow down to 6.8 percent in 2025. The World Bank initially forecast 4.5 percent for 2025 but subsequently revised its projection to [6.8 percent](#). The Asian Development Bank (ADB) offers the most optimistic forecast at [8.5 percent](#). The Kyrgyz Government (Ministry of Economy) and the Kyrgyz National Bank [forecasts](#) a more conservative 6 percent growth for 2025.



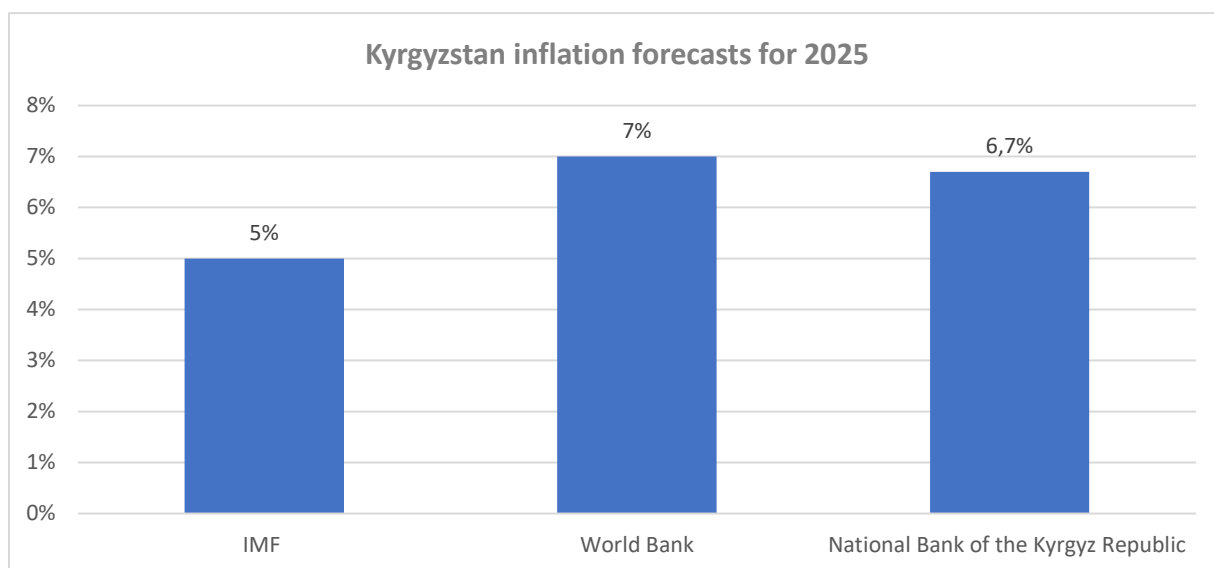
Source: own compilation based on the IMF, World Bank, Asian Development Bank and the Kyrgyz Government data

Inflation and Monetary Policy

Recent inflation dynamics in Kyrgyzstan demonstrate a moderation from earlier highs. Consumer price inflation rate decreased to 4.9 percent in September 2024 and was at 2.2 percent for the period January-April 2025 relative to December 2024. The annual inflation rate (from April 2024 to April 2025) was 6.9 percent, which is consistent with the medium-term target range of 5-7 percent established by the National Bank of the Kyrgyz Republic. From January to April of 2025, consumer prices increased by 7.1 percent in comparison with the April 2024 period.

The discount rate has been maintained at 9 percent since May 2024, a decision that was reaffirmed in April 2025. The central bank's primary objective is to ensure price stability, with an explicit inflation target of 5-7 percent by the end of 2025. The International Monetary Fund has observed that a robust domestic demand necessitates sustained monitoring, indicating the potential necessity for a tightening of monetary policy should inflationary pressures persist or escalate. The National Bank of the Kyrgyz Republic has also conducted interventions in the foreign exchange market to manage volatility.

According to the projections by AKB Kyrgyzstan – the second largest bank in the Kyrgyzstan –, the inflation rate is expected to reach 6.0 percent in 2025 and subsequently rise to 7.8 percent in 2026. The factors contributing to this projection include robust domestic demand, anticipated increases in utility tariffs, continued import dependence, and elevated inflation expectations. The International Monetary Fund has released the average inflation rate 5 percent.



Source: own compilation based on the IMF, World Bank and the National Bank of the Kyrgyz Republic data

The primary factors contributing to inflation include robust domestic demand, deliberate adjustments to utility tariffs, the nation's reliance on imported goods, the possibility of currency depreciation, and the volatility of global commodity prices.

The National Bank of the Kyrgyz Republic faces a complex challenge in balancing the need to sustain economic growth with the imperative of keeping inflation within its target range. This is especially true in light of strong domestic demand and potential external price shocks. The IMF's cautionary statements regarding potential future tightening suggest that if inflation accelerates beyond the upper end of the target band, the National Bank of the Kyrgyz Republic might need to adjust its policy stance, which could, in turn, temper the high growth rates. This phenomenon is of particular pertinence, as robust Gross Domestic Product growth, augmented credit to the economy, and escalating real wages collectively indicate enduring demand-side pressures.

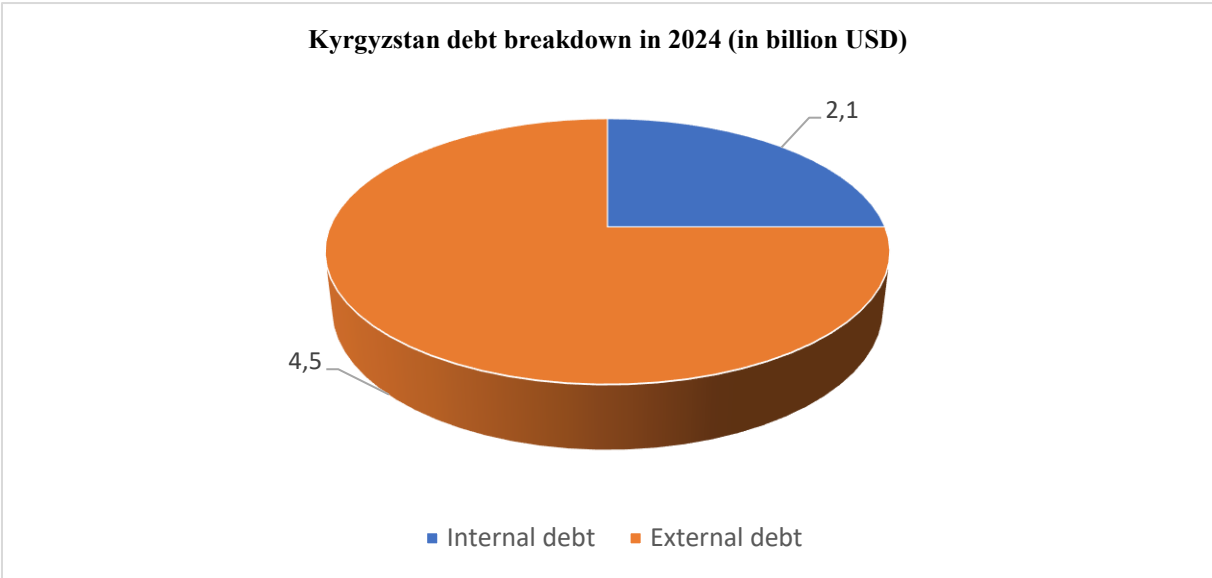
Moreover, the IMF has proposed measures to enhance the effectiveness of monetary policy transmission, including the removal of interest rate caps on National Bank of the Kyrgyz Republic notes and the gradual elimination of subsidized lending programs. These observations suggest that current mechanisms may not be fully effective in transmitting policy signals throughout the economy. Subsidized lending, frequently guided by state objectives, has the potential to counteract contractionary monetary policy aims and distort credit markets. Addressing these aspects could improve the National Bank of the Kyrgyz Republic's ability to manage liquidity and inflation.

Debt

As of December 31, 2024, the total public debt of the Kyrgyz Republic [amounted](#) to USD 6.6 billion (573.3 billion soms). Of this amount, 68.8 percent is external debt, which stands at USD 4.5 billion (394.5 billion soms), and 31.2 percent is domestic debt, amounting to USD 2.1

billion (178.8 billion soms). According to preliminary data, the ratio of external debt to gross domestic product (GDP) for 2024 was 25.9 percent which is considered to be low. Overall, the total debt (external and internal) amounts to 37.6 percent of GDP.

But in 2024, spending on servicing external debt was lower than projected, which saved 357.1 million soms (USD 4 million). This was due to a reduction in principal repayments by 285.9 million soms (USD 3,3 million), as well as lower interest and other payments. The main reason for deviations from the forecasted figures was exchange rate fluctuations and the difference between actual obligations and the projected amounts approved in the national budget.



Source: National Statistical Committee of the Kyrgyz Republic

The source of Kyrgyzstan's [public debt](#) is predominantly external, with the majority of loans borrowed from official multilateral and bilateral creditors under favorable terms, characterized by extended maturities and preferential interest rates. As of the end of 2024, external debt constituted approximately 25 percent of GDP. The largest external creditors include the Export-Import Bank of China (holding approximately 36 percent of government external debt), the Asian Development Bank (16%), the World Bank (16%), and the IMF (8%).

The Kyrgyz government's [approval](#) of a Public Debt Management Strategy for the 2025-2027 period in [January 2025](#) signaled its recognition of the significance of prudent debt management. This strategy will play a pivotal role in the decision-making process regarding borrowing, particularly in light of the country's initiation of substantial infrastructure projects. The International Monetary Fund has issued a cautionary statement regarding external commercial borrowing, underscoring the importance of prioritizing concessional financing to ensure debt sustainability.

While the current debt level is regarded as manageable and the recent improvements are significant, the planned increase in public investment, financed in part through new borrowing, underscores the necessity for meticulous and strategic debt management. Maintaining the predominantly concessional nature of external debt will be key to mitigating risks associated

with interest rate fluctuations and refinancing pressures. A substantial shift toward commercial borrowing terms could potentially lead to an increase in fiscal vulnerabilities and debt servicing costs.

Investments

Attracting foreign direct investment (FDI) remains a priority for the Kyrgyz government. Recent trends demonstrate positive momentum, albeit with ongoing challenges being highlighted. According to [data](#) from the Kyrgyz National Statistical Committee, the total FDI inflow in 2024, the total value of exports amounted to [USD 872.6 million](#), signifying a 3.3 percent increase compared to the previous year. Concurrently, there was a substantial decline in foreign direct investment (FDI) outflow, from USD 685.6 million in 2023 to USD 84.9 million in 2024.

From January to September of 2024, the manufacturing sector received the highest amount of foreign direct investment (USD 281.9 million). With respect to geographical location, the capital city of Kyrgyzstan, Bishkek, received the majority of foreign direct investment (FDI) in 2024 (50%), amounting to [USD 229.3 million](#). Subsequent to this, the Chui region received 21 percent of the FDI, amounting to USD 96.6 million, while the Jalal-Abad region received 14 percent of the FDI, totaling USD 65.8 million.

[Key traditional](#) investor countries include Russia and China, with growing interest from other partners. In an effort to improve the investment climate, the government has taken proactive measures, including the introduction of a revised version of the Law on Investments (November 2023). The initiative has been meticulously designed to establish a competitive environment characterized by equilibrium, catering to both domestic and foreign investors. Concurrently, the government is implementing an investor visa program.

The presence of discrepancies in reported FDI figures from various sources suggests the possibility of differences in methodologies, including the distinction between net versus gross inflows or the inclusion of reinvested earnings. The International Monetary Fund (IMF) has noted that "*non-resident direct investors' participation in share capital (primarily reinvested profits)*" was a catalyst for foreign direct investment (FDI) inflows in 2024. This suggests that a proportion of recorded FDI may not signify greenfield investments but rather the reinvestment of profits by existing foreign-owned enterprises, particularly in established sectors such as mining.

Despite the efforts of the government and the presence of some positive inflow trends, the overall investment climate in Kyrgyzstan continues to face significant challenges. As indicated by the [2024](#) Corruption Perceptions Index, Transparency International placed Kyrgyzstan 146 (141 was in 2023) out of 180 countries in terms of perceived corruption. Furthermore, international observers have identified institutional weaknesses and the necessity for enhanced rule of law and protection of property rights as deterrents to FDI.

The leader in terms of retail trade growth in Central Asia

According to [data](#) from the INFOLine analytical agency, retail trade growth amounted to 14.6

percent in comparable prices (for comparison, in 2023 - 10.9 percent) and 18.5 percent in current prices. This indicates a continuing recovery in consumer activity in the country. Against the backdrop of positive dynamics in retail trade in Kyrgyzstan, the trade infrastructure is actively developing: over the past year, more than 41 000 m² of new retail space was commissioned. Trade remains one of the main sectors of the economy, accounting for about 18 percent of the country's GDP. A significant role in this is played by the re-export of goods from China to Russia and Central Asian countries, which strengthens Kyrgyzstan's position as a logistics and trade hub in the region.

Despite the fact that [per capita income](#) in the country is still three times lower than in Kazakhstan, the financial activity of the population is growing. Retail lending increased by 32.2 percent in 2024, while the level of household debt remains moderate at around 40 percent of retail turnover.

The e-commerce market is also showing significant growth. In 2024, the volume of domestic e-commerce [amounted to](#) USD 359.2 million, an increase of 14.3 percent compared to the previous year. However, the share of online trade in total turnover remains low at around 7 percent. According the [forecasts](#), by 2028, the e-commerce market in Kyrgyzstan could exceed USD 600 million.

Against the backdrop of rapid growth in both traditional and online trade, the development of warehouse infrastructure is becoming particularly relevant. According to IBC Global, as of early 2025, Kyrgyzstan [has](#) 108 000 m² of Class A and B warehouses, 90 percent of which are concentrated in Bishkek and the Chui region.

In the coming years, a significant expansion of warehouse capacity is expected due to large-scale projects, including the 137,000 m² Global Hub multifunctional customs and logistics center (to be commissioned in 2026–2027) and the 300 000 m² Wildberries center, scheduled to launch at the end of 2025.

Untapped potential?

Kyrgyzstan's mineral wealth is a major attraction for investors. The country is rich in gold and the mining sector plays a key role in its economy. According to the [World Gold Council](#), Kyrgyzstan produced around 29.3 tons of gold in 2022, highlighting the significant investment potential in the sector. Of the strategic mining areas, [Kutmor](#) remains a major gold deposit in Central Asia, contributing strongly to Kyrgyzstan's economy. In fact, Kumtor Gold Company has reported gold production of 13.5 tons in 2023, resulting in a net profit of USD 302.4 million.

In addition to mineral resources, Kyrgyzstan has stunning natural sites, which are the number one destination for tourists coming to the country. The Asian country's mountainous terrain and almost untouched lakes offer the potential to exploit the opportunities of its tourism infrastructure. In addition to its excellent topography for tourism, Kyrgyzstan has significant [hydropower potential](#) and projects such as Kambar-Ata [1](#) and [2](#) hydropower plants will contribute to meeting regional energy needs.

What else is behind Kyrgyz economic growth?

Nevertheless, the Kyrgyz economy's unprecedented growth rate could drastically alter the balance of power in Central Asia in the coming years. The growth dynamics observed in Central Asian economies are largely the result of changes in the regional economic situation. Regional tensions, primarily the Russian-Ukrainian war, have unexpectedly created favorable conditions for economic growth in Kyrgyzstan in recent years. As a result, Kyrgyzstan has experienced an average annual growth rate of 9 percent over the past three years, the highest in the region.

This trend has continued into the first half of this year. According to first-quarter 2025 data, Kyrgyzstan's GDP grew by around 13.1 percent. Several economic experts, international credit rating agencies, and financial institutions support this growth dynamic, including the IMF. The IMF predicts that by the end of 2025, Kyrgyzstan's economic growth will be between 6.8 and 7 percent. The IMF notes that it would not be surprising if this figure were higher under favorable conditions. However, most analysts predict a slowdown to 5.25 percent in the medium term, despite the Kyrgyz government's efforts to maintain stable GDP growth at eight percent through projects like Karambata-1.

If the Kyrgyz government's hoped-for growth trend continues, Kyrgyzstan could catch up with regional leader Uzbekistan in terms of gross income per capita by 2026.

Political changes and geopolitical tailwinds

However, accelerating income growth in Kyrgyzstan is a complex process driven by several factors. Most [analysts](#) attribute Kyrgyzstan's performance to a combination of domestic political reforms and external factors, such as Western sanctions against Russia.

The most significant domestic political process is President Japarov's and the Tashiyev government's centralization policy, which has enabled the Kyrgyz government to close loopholes in the Kyrgyz budget, tax, and customs systems; nationalize assets that had been neglected since the Soviet era; and push back criminal networks in the Kyrgyz economy and private sector. Thanks to these measures, the state budget tripled in four years. This enabled the Kyrgyz government to significantly increase its role in providing social benefits, which became a source of income growth. However, if the Kyrgyz government continues to tighten opaque controls, this kind of excessive centralization could hinder future economic growth if it leads to an overly authoritarian system and corruption.

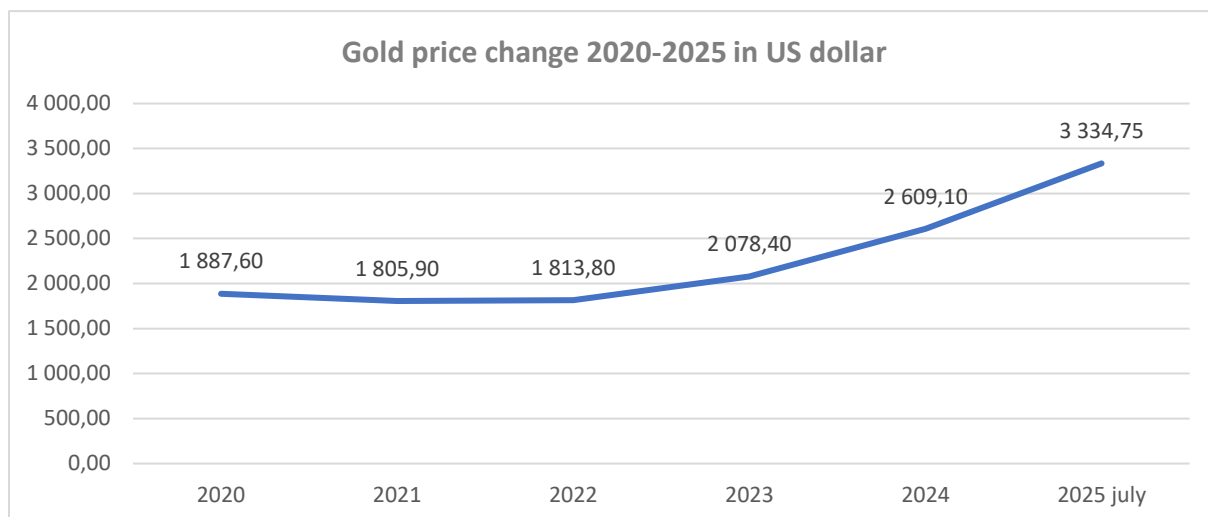
Another important driver of Kyrgyzstan's outstanding economic performance is its role in re-exporting goods to Russia amid Western sanctions following the war in Ukraine. As a member of the Eurasian Economic Union (EAEU), Kyrgyzstan has become a strategic hub for reexporting goods from China and other regions to Russia, thanks to favorable customs tariffs.

In addition to re-exports, Kyrgyzstan's foreign trade has seen a significant increase in textile exports, linked to a surge in orders from Russian-owned companies. This factor can be linked to global clothing brands' decision to withdraw from the Russian market and the increased demand for Russian military uniforms based on fabrics imported from Kyrgyzstan.

However, gold mining plays a significant and [often dominant](#) role in Kyrgyz GDP, mainly due to extraction operations at the Kumtor mine. Since [2022](#), this single enterprise has accounted

for 9.3-10-12 percent of Kyrgyzstan's total GDP.

Gold has played and continues to play a decisive role in the Kyrgyz economy. Since February 2022, when sanctions were introduced against Russia and Russian assets were frozen abroad, the price of gold has increased significantly.



Source: Statista.com

This has led to a paradigm shift, particularly in the reserve strategies of Asian countries, as most Asian countries have decided that increasing their gold reserves is an effective risk management tool in the short and medium term. Thanks to this shift, Kyrgyzstan became the [world's third](#) largest gold exporter in the first quarter of 2025, selling approximately 3.8 tons of the precious metal on the international market. This contributed significantly to the expansion of the Kyrgyz economy. However, it is precisely the rapidly changing world market price of gold that makes Kyrgyzstan's economy vulnerable.