

CIE Papers

 cie.mcc.hu



Structural Change and Growth in Kyrgyz Economy

Szabolcs Veres

MCC CIE Papers

Publisher:

MCC Center for International Economy

Address:

1113 Budapest, Tas vezér utca 3-7.

<https://cie.mcc.hu>

Editor:

Csaba Moldicz

This paper and its conclusions reflect solely the private opinion of the authors and cannot be regarded as the official position of the Mathias Corvinus collegium Foundation.

Budapest 2026.

© Mathias Corvinus Collegium Foundation

ISSN 3004 - 2607

Abstract

After the collapse of the Soviet Union's so-called Unified Economic System the newly independent Kyrgyzstan was left with a weak economic base, including a loss of state subsidies due to outdated economy, and government revenues declined precipitously due to the collapse of imports. However, the Kyrgyz economy has seen deep structural changes since the early 1990s. Kyrgyzstan's economy achieved significant growth of 11.1 percent in 2025, driven primarily by strong domestic demand, remittances from abroad, and increasing trade volumes. The country's total Gross Domestic Product (GDP) was close to USD 22.8 billion (circa 2 trillion Kyrgyz som) in 2025, with the service sector accounting for more than 50 percent. The construction industry showed steady growth fueled by infrastructure projects, particularly in the energy and transportation sectors. Inflationary pressures and trade imbalances were evident, and coordinated efforts were made to support exporters. The fiscal situation improved, with the state budget showing a surplus, and the country relied on gold exports; however, external factors such as sanctions against Russia and fluctuating gold prices could impact economic stability. Looking ahead, Kyrgyzstan's policymakers aim to further strengthen the economy, reduce poverty, and raise per capita GDP to USD 4,500 by 2030.

Keywords: Kyrgyzstan, economy, forecast, 2026

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 2025, the country had transitioned out of this category. Its nominal GDP per capita is currently above 2,000 dollars (6,500 dollar at purchasing power parity – PPP). The country's economy is deeply 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 has 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 the financing of infrastructure projects in the country. Kyrgyzstan wanted to attract foreign investment to expand its export base (e.g., construction of hydroelectric power plants) for a very long time, but the challenging business environment and disputes with foreign investors have thus far constituted a significant impediment to the inflow of foreign direct investments. Following the protests in the wake of the 2020 parliamentary elections, Sadir Japarov was [elected](#) as president of the country in January 2021 with a significant margin of victory.

Furthermore, Kyrgyzstan is among the most economically disadvantaged countries in the

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.

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 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

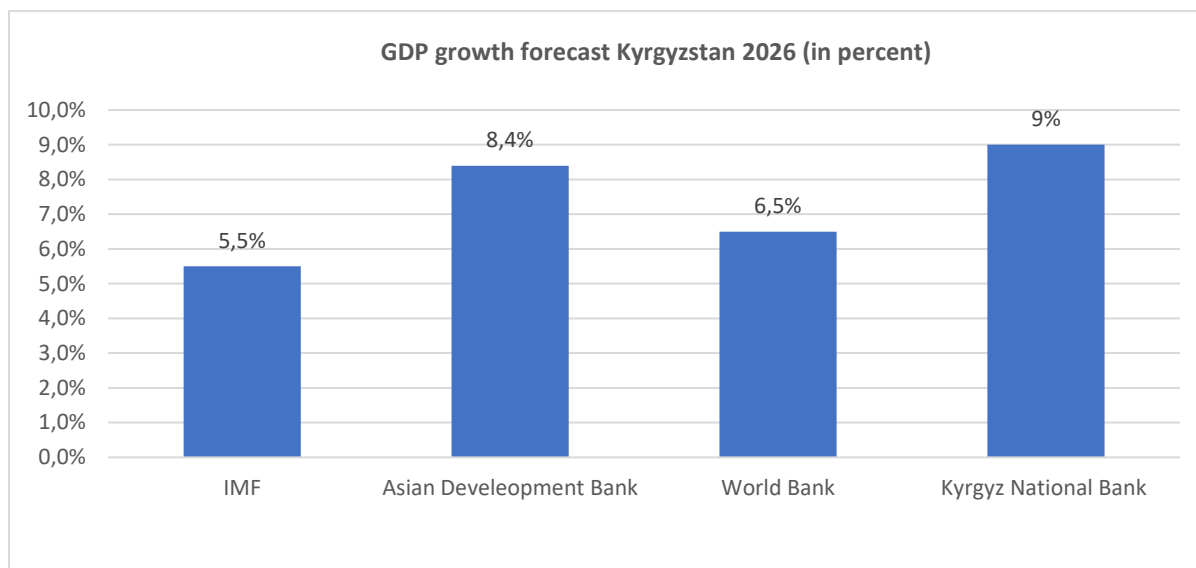
Kyrgyzstan's economy was remarkably resilient and dynamic between 2022 and 2024, with an average real GDP growth rate of [9 percent](#) per annum. This period of rapid growth was significantly influenced by robust domestic demand, substantial inflows of remittances, increased trade (including significant re-export activities), and strong investment in construction. Kyrgyzstan’s economy grew by 11.1 percent in 2025, reaching a GDP of nearly 2 trillion Kyrgyz national currency, soms (approximately USD 22.8 billion). This strong expansion was driven by a 21.1 percent increase in construction, a 10.9 percent rise in services, and a 10.7 percent growth in industrial output, with 2022–2025 seeing the economy double.

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	2026
Real GDP Growth (in percent)	6.0 - 9.5
Nominal GDP (USD Billion)	19.0 - 19.8
GDP per capita (US dollar)	2,500 - 2,747
Inflation, CPI (average in percent)	5.0 - 7.0
Unemployment Rate (in percent)	3.8 / ~4-5 (ILO est.)
Fiscal Balance (percent of GDP)	-3.4 to +1.0 (range)
Public Debt (percent of GDP)	<42

Source: National Statistical Committee of the Kyrgyz Republic

The forecasts for GDP growth in 2026 show significant variations among international organizations and national authorities, reflecting divergent assumptions regarding the longevity of recent growth drivers and the influence of external factors. The International Monetary Fund (IMF) [projects](#) that GDP growth will moderate to 5.3 percent in 2026. The World Bank initially subsequently revised its projection to [6.5 percent](#). The Asian Development Bank (ADB) offers the most optimistic forecast at [8.4 percent](#). The Kyrgyz National Bank [forecasts](#) a more optimistic, 9 percent growth for 2026.



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

Macroeconomic Level

The economy of the Kyrgyzstan has been experiencing robust growth, with an average annual growth rate of 9.2 percent from 2021 to 2025. Preliminary estimates by the National Statistics Committee of the Kyrgyzstan indicate that GDP reached nearly 2.0 trillion Kyrgyz national currency, soms (USD 22.6 billion) in 2025. In regional comparison it should be noted that this figure stands at 13 times less than the corresponding figure for Kazakhstan. Kyrgyzstan's elevated growth rates in recent years can be attributed to the low-base effect.

[Kyrgyzstan](#) has derived considerable benefit from the regional developments of recent years. On the one hand, a significant number of workers returned to Kyrgyzstan (up to 340,000 in 2022–2023); on the other hand, demand for labor migrants has grown in Russia. According to the World Bank, between 2010 and 2024, the volume of remittances to Kyrgyzstan from abroad was equivalent to 28.1 percent of GDP.

As of the first quarter of 2025, the number of labor migrants from Kyrgyzstan registered in the Russian Federation increased by 6.6 percent rising from 352,000 in January to 377,000 by the end of March ([estimate](#) by the International Organization for Migration). Consequently, the Russian Federation employed one in eight working-age citizens of Kyrgyzstan.

Consequently, the volume of remittances to the Kyrgyzstan for 2025 (first 11 months) exhibited a growth of nearly a quarter year-on-year. This, in conjunction with revenues from illegal? re-exports, contributed to the nation's ability to maintain a balanced balance of payments. Concurrently, the favorable conditions in the gold market contributed to the growth of the National Bank of the Kyrgyz Republic international reserves.

Key Economic Sectors

The service sector constitutes approximately 51.2 percent of Kyrgyzstan's economy. in 2025.

In the preceding year, this sector exhibited stable growth, with value added increasing by 10.9 percent in comparison with the previous year, and the volume of market services reaching 2.9 trillion soms (USD 32.6 billion), this is +14.8% in comparison with the previous year).

The finance and insurance sector emerged as the second-largest segment, with a volume of USD 3.2 billion (representing 9.9% of all services) and a moderate growth rate of 0.8 percent year-over-year. As indicated by the data, the logistics sector demonstrated a 6.5 percent increase.

The services sector has undergone robust growth, largely attributable to substantial increases in household incomes. On average, nominal wages increased by 18.9 percent, while inflation stood at 9.4 percent at the end of the year. The ongoing inflow of remittances and consumer lending has also contributed to sustaining consumer activity.

Manufacturing, the second-largest sector of the economy (accounting for 13.7% of GDP), has demonstrated robust output growth, reaching 9.8 percent. A study of the industrial sector revealed that three industries—metallurgy, food (including beverages and tobacco), and rubber and plastic products—accounted for 90 percent of manufacturing. Metallurgy accounts for the largest share (62.2 percent of manufacturing), consisting almost entirely of base metal production, where output recorded slight growth (+0.2%). The statistics do not specify the shares of specific base metals produced by the metallurgy cluster; however, judging by the country's export structure, it can be assumed that gold accounts for a significant portion of output.

In the food industry, there was a 30.1 percent increase in production, primarily attributable to a 1.6-fold increase in non-alcoholic beverages, a 41.8 percent increase in pasta products, and a 11.4 percent increase in distilled alcoholic beverages. [According](#) to estimates by the National Statistics Committee of the Kyrgyzstan, the production of rubber and plastic products increased by 35.7 percent. This growth was primarily driven by construction materials, which increased by 36.6 percent.

The construction sector, which constitutes 8.7 percent of GDP, grew by above 20 percent for the second consecutive year. This phenomenon is driven by substantial state-sponsored initiatives in transport infrastructure, energy, and housing construction.

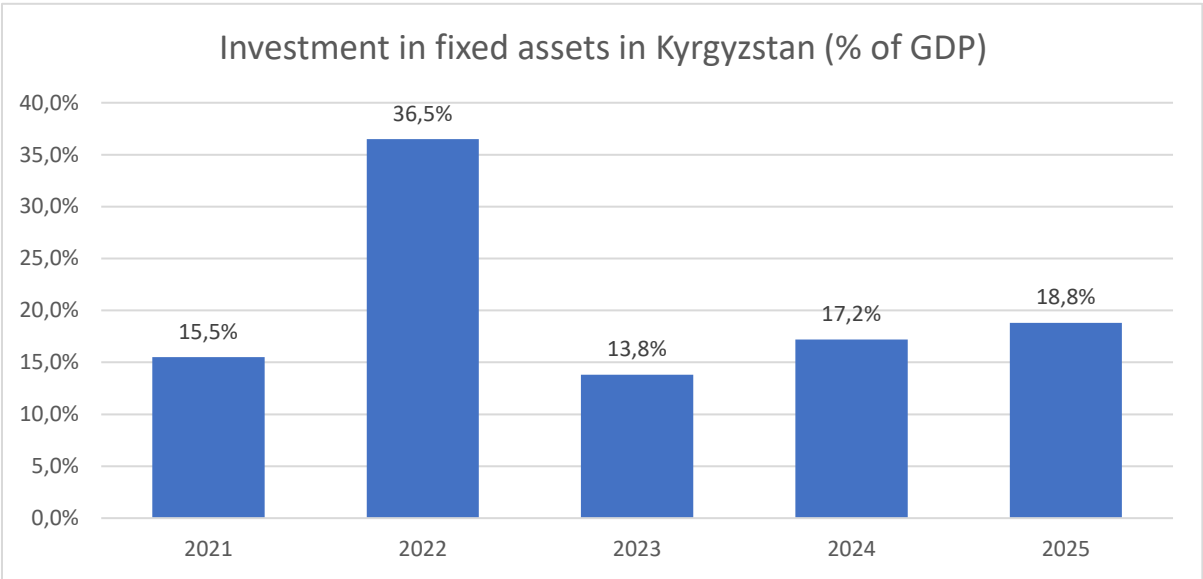
The [construction](#) of the Kambarata HPP-1 is of paramount importance, as it will become one of the largest hydroelectric power plants in Central Asia. [Transportation](#) infrastructure is undergoing significant development, with the government planning to construct additional highways, interchanges, overpasses, and tunnels through mountain passes that are currently inaccessible. In December 2025, following preparatory work conducted on Kyrgyz territory, [construction](#) of the China–Kyrgyzstan–Uzbekistan railway commenced. With respect to housing construction, by the end of 2025, 15,100 housing units with a total area of 1.8 million square meters had been commissioned in the country, marking a 15.7 percent year-on-year increase.

Within the broader context of the Kyrgyz economy, the mining sector constitutes a relatively modest proportion of GDP, accounting for approximately 2.1 percent of the total. A substantial increase of 14.2 percent was observed in this sector, attributable to the augmented production

of metal ores (21.6%), coal (10.3%), and other minerals (40.2%).

Investment in Fixed Assets

Investment in fixed assets (IFA) demonstrated sustained growth, with a notable acceleration in its rate of increase. By the conclusion of the previous fiscal year, the aggregate volume of investment had reached 374.6 billion soms, constituting 19.0 percent of the GDP. This represented an annual increase of 18.4 percent in real terms.



Source:

From a sectoral perspective, the structure of FDI underwent only minor changes. While mining constituted approximately 18–22 percent of total FDI in 2020–2024, its share in 2025 was only 7.8 percent. The transportation and logistics sector demonstrated notable growth, expanding from 8–12 percent to 17.5 percent. This appears to be associated with the culmination of the investment cycle in gold mining and precious metals production, which constitute the foundation of Kyrgyzstan's exports.

The financial architecture of GNI (Gross National Income) financing has undergone a deep transformation. The proportion of investments from domestic sources declined from 86 percent in 2024 to 78.9 percent in 2025, primarily attributable to a decrease in business investment activity. A decline of 20.4 percent in real terms was observed in the funds from all enterprises and organizations, which have historically been the primary source. Two other major internal sources of investment exhibited growth: the national budget (by 1.4 times) and funds from the public (+3.8%).

Inflation and Monetary Policy

The monetary policy of the National Bank of the Kyrgyz Republic in 2025 was aimed at maintaining price stability amid heightened domestic demand and volatility in global markets. The medium-term inflation target was established at a range of 5–7 percent.

During the initial six months of 2025, the regulatory body maintained the rate at 9 percent,

despite the fact that inflation surpassed the upper limit of the inflation target by 0.1 percentage points in April. The primary factors contributing to this increase were rising household incomes and remittances from foreign countries. The situation deteriorated following a scheduled tariff increase in May of the previous year. By July 2025, when the National Bank of Kyrgyzstan decided to raise the rate by 0.25 percentage points, the real interest rate had already begun to slip into negative territory (−0.25% in August 2025). Subsequent rounds of rate hikes to 10 percent in October and 11 percent in November contributed to a slight tightening of monetary conditions and a moderation of price growth; however, the inflationary environment remained a concern for policy makers.

The impact of external factors appears negligible: throughout 2025, the Som's exchange rate against the dollar remained virtually unchanged. Following the introduction of the Kyrgyz som in 1993, the National Bank of the Kyrgyz Republic has maintained a floating exchange rate regime. According to the most recent data, the top five countries receiving the highest value of individual export shipments in 2025 were Switzerland (gold – USD 437.8 million), China (precious metal ores and concentrates – USD 89.9 million), Russia (clothing – USD 80.6 million, fruits and nuts – USD 35.6 million), and Uzbekistan (precious metal ores and concentrates – USD 175.1 million). The analysis revealed a general increase in imports across the majority of consumer and industrial goods categories. However, notable exceptions were observed in the meat (−5.0%), clothing (−27.7%), chocolate (−2.1%), and sugar (−26.3%) sectors.

At the conclusion of 2025, the trade deficit amounted to USD 10.1 billion (USD 7.3 billion in 2024), representing 44.3 percent of GDP. The deficit is mitigated, in part, by remittances from migrant workers, which exhibited a 23.1 percent year-over-year increase in the first nine months of 2025, reaching USD 2.5 billion. This inflow of foreign currency corresponds to 17.8 percent of GDP, which is generally lower than the average recorded during the 2020–2024 period (25.5%).

An analysis of Kyrgyzstan's balance of payments reveals that in 2025, the country received USD 3.9 billion under the errors and omissions category, which accounts for unrecorded capital flows and shadow exports. Goods from third countries are often resold through Kyrgyzstan to the EAEU, frequently with undervaluation or misdeclaration to evade taxes. The proportion of gray exports to total trade turnover may reach up to [40 percent](#). This measure contributed to maintaining the balance of payments deficit at USD 663 million (USD 344.4 million for the initial nine months of 2024). However, the Federal Customs Service of the Russian Federation is [developing](#) a system for confirming the expected delivery of goods (SPOT) to combat gray imports, which may limit these flows in the future. The implementation of SPOT is planned to begin in test mode in April and be fully implemented in July 2026.

The substantial inflow of foreign currency in 2025 (first 11 month)—both official (USD 2.5 billion) and unaccounted-for (USD 3.9 billion)—has enabled Kyrgyzstan to largely finance its trade deficit. The National Bank of Kyrgyzstan has been able to engage in interventionist policies and concurrently augment its reserves, a feat facilitated by the escalating value of gold. According to [data](#) from the World Gold Council, Kyrgyzstan is ranked 15th globally in terms

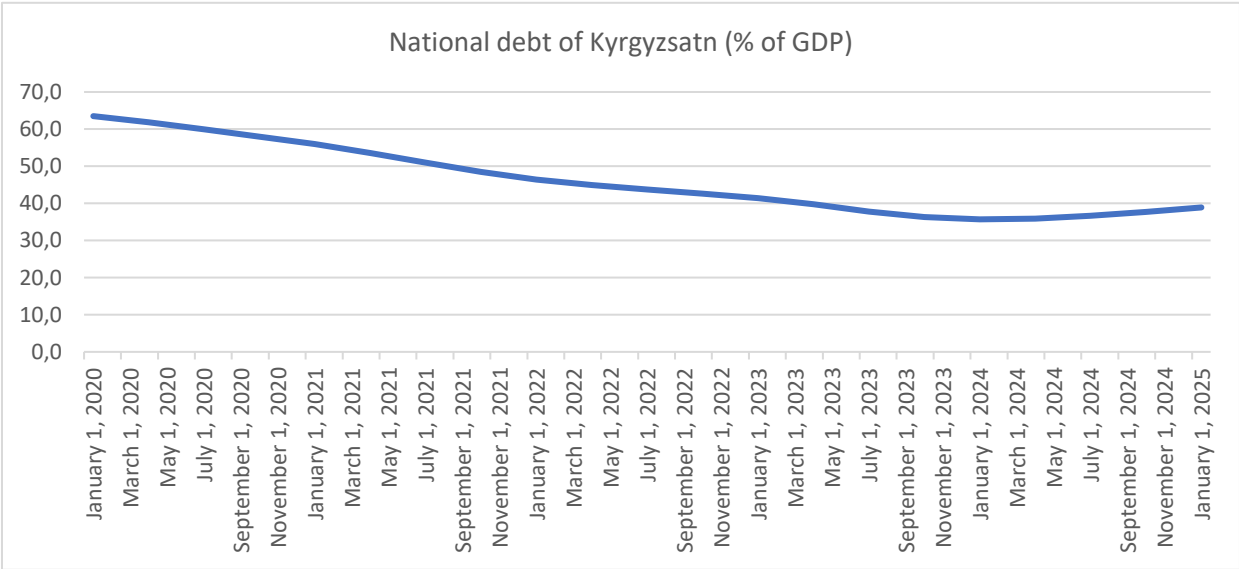
of gold purchases by central banks. Consequently, the value of gold has experienced a substantial increase, resulting in a 69.1 percent growth in the nation's gold and foreign exchange reserves by the conclusion of 2025, reaching a total of USD 8.6 billion.

Fiscal Policy and Public Debt

At the end of 2025, the state budget closed with a surplus of 50.2 billion som (2.5% of GDP). Total revenues increased by 44.9 percent year-over-year (to 673.2 billion som). The key sources of revenue were VAT (24.4% of total revenue), income tax (21.9%), and international trade taxes (customs duties and excise taxes on goods produced outside the EAEU – 13%). Non-tax payments amounted to 189.5 million soms (28.1%), increasing by 86.8% year-over-year.

The expenditure side of the state budget increased by 45.9 percent (to 623 billion soms). These can be broadly divided into three categories: the social and cultural sector (48.1% of expenditures), defense, security, and law enforcement (27.1%), and public services in economic activities (24.3%).

Public debt at the end of 2025 amounted to 779.8 billion (approximately USD 8.9 billion). Of this amount, external borrowing accounted for 59.9 percent (USD 5.3 billion), with nearly half provided by development institutions, including the World Bank, the Asian Development Bank, the Eurasian Development Bank, the IMF, and the Islamic Development Bank. One-third of the external debt consists of bilateral concessional loans (China Exim Bank, the Japan International Cooperation Agency, and the Saudi Fund for Development).



Source: Ministry of Finance of the Kyrgyz Republic

Kyrgyzstan’s fiscal position is strengthening due to favorable external and domestic conditions, and the debt structure (a high share of concessional loans from development institutions) is sufficiently sustainable in the long term.

Prioritizes Export Support as External Trade Declines

Because of the ongoing decline in foreign trade, Kyrgyzstan is intensifying its efforts to provide

support to domestic exporters. The authorities see the development of exports as a pivotal [element](#) of economic policy.

The Kyrgyz government is currently [contemplating](#) a series of pragmatic measures aimed at enhancing the nation's export capacity. These include a pilot program that aims to provide partial reimbursement of transportation and logistics costs. The initiative’s objective is twofold: to reduce the price of Kyrgyz goods in foreign markets and to enhance their competitiveness.

Concurrently, authorities are formulating strategies to increase access to financing through a newly established [preferential](#) credit line, designated as Export Contract Financing. The mechanism's objective is to alleviate exporters cash flow challenges and bolster working capital, with support from insurance instruments and state guarantees.

These measures are being implemented in the context of a substantial decline in trade performance. According to data from the National Statistics Committee, Kyrgyzstan’s [exports](#) decreased by 20.3 percent in January 2026, while imports increased by 6.1 percent.

This decline is indicative of a more extensive trend. In [2025](#), exports decreased by 44.5 percent, while imports increased by 3.9 percent. The total foreign trade turnover amounted to USD 15.8 billion, indicating a 10.2 percent decrease compared to the 2024 figures.

The geographical distribution of Kyrgyzstan’s exports exhibits a notable degree of concentration.

Kyrgyzstan’s main export partners in 2025 (share of exports in percent)	
Russia	22.9
Kazakhstan	15.9
Switzerland	15.4
Uzbekistan	14.2
United Kingdom	8.2

Source: National Statistical Committee of the Kyrgyz Republic

Kyrgyzstan’s main import partners in 2025 (share of exports in percent)	
China	37.2
Russia	24.6
Kazakhstan	10.9
Türkiye	5.1
Uzbekistan	4.8

Source: National Statistical Committee of the Kyrgyz Republic

The swift decline in exports can be attributed primarily to a substantial decrease in gold shipments, which constitutes Kyrgyzstan's primary export commodity. [According](#) to the Ministry of Economy, the value of gold exports decreased by a factor of 3.7 in 2025.

Gold constituted 23.9 percent of total exports, thereby underscoring the nation's reliance on a singular commodity. The decline was attributed to a combination of external and internal factors. A decline in export volumes was attributable to diminished demand from key partner markets, notably Russia and Kazakhstan. Concurrently, the imposition of provisional government restrictions on the exportation of specific goods, including scrap metal and live animals, also impeded trade flows.

This is the point where we should recall the so-called Dutch disease concept. The concept posits that a country with abundant natural resources is likely to encounter challenges when the growth of the sector dedicated to natural resource extraction negatively affects the development of other traditional sectors by drawing capital away from the economy and raising wage levels to a point where the international competitiveness of companies in traditional sectors is severely compromised, leading to their exit from these sectors. In general, the structure of the economy will be distorted, and the reliance on commodities will become more pronounced. The question of whether Kyrgyzstan suffers from the Dutch disease can be answered with a definite yes, the real question is of how the country can leave this trap.

Forecasts for 2026 and geopolitical tailwinds

The EBRD notes that strong consumer activity will support economic growth this year at 9 percent, which is slightly below last year's figures. Other institutions—the IMF and the World Bank—forecast growth below this level, in the range of 5.3–5.5 percent.

According to [the opinion](#) of IMF analysts, the effect of re-exports to Russia may weaken in the near future. At the same time, the tightening of sanctions against Russia could reduce the inflow of remittances. They do not rule out a scenario of a growing deficit in the event of increased imports of equipment for infrastructure projects. They also see another source of stress for the Kyrgyz economy: falling gold prices amid rising energy costs. Over the past five years, nominal GDP per capita has nearly doubled, reaching USD 2,800 by the end of 2025. Unemployment during this period fell from 5.3 percent to 3.7 percent. According to the [National Development Program of the Kyrgyz Republic](#) through 2030, the government has set an ambitious goal of raising GDP per capita to USD 4,000–4,500.

However, accelerating income growth in Kyrgyzstan is a complex process driven by several factors. Most [analyzes](#) 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.