

Monetary policy report for the first quarter of 2013

Approved by
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Major trends in the monetary policy

In accordance with Main directions of the monetary policy for 2013-2015 years, the main purpose of the monetary policy in 2013 is containment of inflation within the scope of single value.

According to the National Statistics Committee the inflation rate by the result of the first quarter of 2013 (March 2013 against March 2012) has made 7.8 percent, though the prices decreased by 0.1 percent in March in comparison with February 2013, the annual average of inflation totaled to 7.8 percent.

National Bank continued to consider high preserved level of basic inflation¹, which was 11 percent (on an annualized basis) at the end of March 2013. Within the framework of the conducted monetary policy, for the purpose to limit a monetary component, the NBKR in first quarter of 2013 increased the volume of NBKR notes in circulation from 3.1 billion KGS at the beginning of the year to 3.7 billion KGS at the end of the March 2013. With the view of additional sterilization of excess liquidity, there were used operations for government securities sale on REPO-terms, whose volume totaled to 546.5 million KGS at the end of the March 2013 (795.8 million KGS at the end of 2012).

The discount rate of NBKR varied in a narrow range from 2.64 to 3.05 percent and at the end of the March it has made 2.98 percent.

For the purpose of work enhancement of percentage transmission channel of the monetary policy and the banking system assistance in the economy crediting, at the end of 2012 the National Bank has expanded the range of the monetary policy instruments on ensuring the banking system by liquidity through implementation of credit auctions for refinancing purposes. The refinancing credit gives the banks more flexibility in liquidity management, so that they could increase the volume of funds, which are directed to economy crediting. In the first quarter of 2013 two credit auctions were recognized invalidated because of insufficient amount of participants or because of the absence of commercial banks demand. One auction took place in March, by its results the volume of the issued loans for refinancing constituted 95,0 million KGS.

By the result of January-March 2013, the monetary base fell by 1.2 percent since the beginning of the year and constituted 64.3 billion KGS (in the first quarter of 2012, the monetary base decreased by 1.9 percent). Broad money M2X grew by 0.5 percent for the first quarter of 2013 and made 99,0 billion KGS (in the similar period of 2012 – by 1,8 percent).

During the first quarter of 2013, relative stability of the foreign exchange market allowed NBKR not to conduct currency interventions in the interbank exchange market. For the reporting period, the exchange rate of US dollar relative to the som increased by 1.2 percent from 47.4012 to 47.9610 KGS/USD (in the similar period of 2012 – by 0.74 percent).

According to preliminary data in January-March 2013, the GDP volume in real terms increased by 7.6 percent (In January-March 2012 it decreased by 8.4 percent). Without regard to the enterprises of deposit development “Kumtor”, the growth of real GDP made 4.9 percent (in January-March 2012 the increase of similar indicator made 3.7 percent). GDP deflator was at the level of 3.6 percent against 14.1% in January-March of 2012.

According to preliminary data, by the results of the first quarter of 2013, the balance of payment of the Kyrgyz Republic is expected with the positive balance in amount of 23.1 million USD. In the reporting period, the current account deficit is expected to be 18.1 percent to GDP, trade balance deficit will increase by 62.9 percent to 729.7 million USD. By the results of the

¹By IMF method the food products, electricity, gas and other kinds of fuel are completely excluded.

first quarter of 2013, the net inflow of current transfers is expected to be 390.3 million USD, being by 11.5 percent more than the indicator of the basic period: under this item in the reporting period, the general increase will be traditionally ensured by private transfers, whose net inflow will increase by 11.5 percent and will amount 391.2 USD million. The volume of gross international reserves¹ is going to satisfy the future import of goods and services for 3.9 months.

For the first quarter of 2013, KGS depreciated against the majority of currencies of basic trade partners, considering the lower level of inflation in the country in comparison with inflation level in other countries-partners, it caused the decrease of real effective exchange rate index of KGS by 0.9 percent to 108.1

By the results of the first quarter of 2013, the state budget surplus made 3.1 billion KGS or 5.2 percent to GDP, in the same period of 2012 the budget deficit made 1.8 percent to GDP.

The dynamics of monetary indicators

By the results of January-March 2013, the monetary base decreased by 1.2 percent or 789.9 million KGS and constituted 63.7 billion KGS (in the same period of 2012 – by 1.9 percent). Government operations decreased monetary base by 935.4 million KGS, due to the National Bank operations it increased by 145.5 million KGS.

The annualized nominal growth rates of monetary aggregates at the end of March 2013 ranged from 15.8 to 22.3 percent, while at the end of March 2012, it ranged from 18.0 to 22.3 percent. Among monetary aggregates the broad money M2X had been increasing especially quickly, mainly due to increase of the deposit base².

In January-March 2013, M0 monetary aggregate (money outside banks) decreased by 2.2 percent and made 53.3 billion KGS (in January-March 2012 – by 2.5 percent)

M2 money supply, which includes money outside banks and deposits in the national currency, decreased by 1.4 percent for the reporting period and made 76.4 billion KGS by the end of March 2013 (in the same period of 2012, the increase of M2 constituted 0.7 percent).

Broad money M2X, which includes deposits in foreign currency, made 99.0 billion KGS by the end of the first quarter of 2013, having increased by 0.5 percent from the beginning of the year (in the first quarter of 2012 – by 1.8 percent). The general contribution in M2X increase stimulated the increase of deposits' volume³, which grew by 3.9 percent from the beginning of the year (in the same period of 2012 – by 8.1 percent). By the results of the reporting period the growth of foreign currency deposits made 7.6 percent, and deposits in national currency – 0.4 percent (in January-March 2012 – by 5.7 percent and 10.9 percent respectively).

In currency structure of broad money M2X, the share of deposits in the national currency hasn't changed for the first quarter of 2013, and at the end of March 2013 it made 23.3 percent, while in foreign currency it rose to 22.9 percent (+1.5 p.p.). The share of money outside banks in M2X structure at the end of the year made 53.9% (-1.5 p.p.)

In consequence of more fast rates of money supply growth in comparison with the GDP growth rate, coefficient of economy monetization calculated by monetary aggregate M2X, for the reporting period increased from 29.0 percent at the beginning of the year to 30.0 percent at the end of March 2013. Accordingly, the velocity of money measured by the M2X aggregate decreased by 3.4 at the beginning of the year to 3.3 at the end of the March 2013

The multiple of broad money M2X, characterizing the level of financial intermediary, increased from 1.527 at the end of 2012 to 1.543 at the end of the first quarter of 2013 in consequence of the accelerated growth of broad money in comparison with the rate of the monetary base growth.

¹The volume of gross international reserves at the end of March 2013 constituted 2046.2 million USD.

² Without deposits of Government and nonresidents.

³ Without deposits of Government and nonresidents.

Inflation: results and tendencies

According to data of the National Statistics Committee (NSC of KG), the inflation rate made 7.8 percent by the results of the first quarter of 2013 (March 2013 against March 2012), wherein the prices decreased by 0.1 percent in March in comparison with February 2013, inflation annual average totaled at the level of 7.8%.

Prices for food products, taking about 48 percent in the structure of consumer goods basket, increased by 6.0 percent in the first quarter of 2013. . Prices for non-food products increased by 7.9 percent on an annualized basis, alcoholic and tobacco products – by 12.0 percent, paid services – by 10.0 percent

Table 1. The consumer price index of Kyrgyz Republic

	March 2013 to			January-March 2013 to January-March 2012
	February 2013	December 2012	March 2013	
All goods and services	99,9	101,1	107,8	107,8
including				
Food products and soft drinks	99,5	101,0	106,0	105,8
Strong drinks, tobacco products	100,4	102,5	112,0	111,4
Non-food goods	100,3	100,7	107,9	108,3
Services	100,6	101,3	110,0	109,8

Bakery products and cereals have the largest share in food product structure. By the results of March 2013, the prices for bakery products and cereals have increased by 14.0 percent on an annualized basis, including first grade wheat flour which rose in price by 27.4 percent. Basic reasons for price growth of bakery products and cereals are low wheat harvest in the republic and in main trade countries-partners in 2012. However in January-March 2013 grain price has stabilized. It has tendency to decline on the back of expectations to have good harvest in 2013. For the first quarter of 2013 prices for bakery products and cereal increased by 0.5 percent.

By the results of the March 2013 vegetable and fruit prices grew by 9.9 percent on an annualized basis, notably fruit prices increased by 22.3 percent, vegetable prices went up by 4.7 percent.

The dynamics for sugar prices preserve its stability, the cost of sugar decreased by 8.0 percent on an annualized basis, by the results of 2012 sugar prices decreased by 5.4 percent in annual terms.

Prices within “oils and fats” group decreased by 0.1 percent at the end of the first quarter of 2013, while for the first quarter of 2012 the similar indicator increased by 1.2 percent. Current price dynamics within the “oils and fats” group are generally associated with the continued effect of good harvest of oilseed products in last season.

In the first quarter of current year the decline of milk products prices has continued. So, for example, if the price index within this group of goods at the beginning of the year made 107.0 percent on an annualized basis, in March the same indicator made 105.6 percent.

In March 2013, prices for meat product decreased by 1.6 percent on an annualized basis.

High dependence of internal prices for food goods from world price dynamics is largely associated with high food import-dependence of the Kyrgyz Republic economy. According to data of the NSC KR in 2012 the import share in the structure of bakery product consumption made 67.5 percent, the import share in consumption of wheat and its processing products made 68.6 percent , import of vegetable fats in consumption made 69.4 percent , consumptions of sugar was supplied by import at 83.8 percent.

Table 2. Food balance of Kyrgyz Republic on basic foodstuffs
(thousand tones)

	Bakery products in grain equivalent, thous.tons				Vegetable fats thous. tons				Sugar and confectionary in sugar equivalent thous.tons			
	2009	2010	2011	2012 ¹	2009	2010	2011	2012 ¹	2009	2010	2011	2012 ¹
Receipt	3 751,2	3 681,7	3 566,5	3 415,8	80,7	98,5	88,7	67,1	156,2	128,0	124,2	113,5
Reserves at the beginning of the year	1 236,8	1 654,2	1 453,8	1 295,6	26,1	40,3	36,0	26,4	62,3	46,7	15,9	10,4
Foodstuffs were produced in the country	1 929,2	1 583,8	1 580,7	1 438,3	20,6	18,1	15,6	0,6	5,9	14,0	17,0	13,3
Food goods were imported	585,2	443,7	532,0	681,9	34,0	40,1	37,1	40,1	88,0	67,3	91,3	89,8
Using	2 097,0	2 208,5	2 270,9	2 232,9	40,4	62,3	62,3	57,8	109,5	112,0	113,8	107,9
Seed expenses	143,3	134,9	138,1	142,5	-	-	-	-	-	-	-	-
Fodder for cattle	843,2	949,9	976,2	925,0	-	-	-	-	-	-	-	-
Losses	66,2	63,6	61,8	59,2	-	-	0,0	0,0	0,1	0,1	0,1	0,1
Foodstuffs were exported	67,4	80,3	95,5	96,6	0,0	0,0	0,0	0,0	0,3	1,3	1,1	0,7
Availability for population consumption	976,9	979,8	999,3	1 009,6	40,4	62,3	62,3	57,8	109,1	110,6	112,6	107,1
Reserves at the end of the period	1 654,2	1 473,2	1 295,6	1 182,9	40,3	36,2	26,4	9,3	46,7	16,0	10,4	5,6
Import share in consumption volume, %	59,9	45,3	53,2	67,5	84,2	64,4	59,6	69,4	80,7	60,8	81,1	83,8
Export share in production volume, %	3,5	5,1	6,0	6,7	-	-	-	-	5,1	9,3	6,5	5,3
Coefficient of import dependence	23,9	22,8	26,4	33,7	62,3	68,9	70,4	98,5	94,0	84,1	85,2	87,7
Coefficient of self-sufficiency	78,8	81,3	78,4	71,1	37,7	31,1	29,6	1,5	6,3	17,5	15,9	13,0
Ratio of the reserves to demand, %	78,9	66,7	57,1	53,0	99,8	58,1	42,4	16,1	42,6	14,3	9,1	5,2

Preliminary data

Price index growth for non-food goods made 7.9 percent on an annualized basis, which is by 2.5 percentage points less than the similar indicator in 2012. The main contribution in price growth for non-food goods was made by the price increase of goods group “clothes and footwear”, this group grew up in price by 13.9 percent. Household furniture and appliances grew up in price by 9.4 percent. The cost of fuel and lubricants materials increased by 2.7 percent on an annualized basis, including petrol prices which increased by 2.5 percent, for diesel fuel – by 5.2 percent. In March 2013, price index of paid services increased by 10.0 percent on an annualized basis (in March 2012 – by 9.9 percent). Index growth in this group was mainly due to rise in prices of restaurants and hotels services by 11.5 percent, educational services (+8.4 percent) and transport services (+9.3 percent). Health-care services rose in price by 10.6 percent.

Real Sector

According to preliminary data, for January-March 2013, the GDP volume in operational prices made 59.0 billion KGS, having increased in real terms by 7.6 percent (in January-March 2012 it decreased by 8.4 percent). Without regard to the enterprises of deposit development “Kumtor”, the GDP volume increased by 4.9 percent (in January-March 2012 the similar indicator growth made 3.7 percent). GDP deflator set in the level 3.6 percent against 14.1 in January-March 2012.

GDP growth in January-March 2013 was associated with positive dynamics in the majority of economy sectors: growth rate of industry production made 18.3 percent, of construction – 14.5 percent, of services sector – 4.2 percent and of agriculture – 1.5 percent.

According to preliminary data, physical volume of the industrial production increased by 18.6 percent in January-March 2013. Without regard to Kumtor gold mine enterprises, industrial production growth made 4.9 percent. Upward price dynamics of industrial sector production in January-March is caused basically by low base of the first quarter of 2012 on the back of gold production decrease on the “Kumtor” deposit enterprises. According to preliminary data for the first quarter of 2013, the production volume of processing industry increased by 28.4 percent, while the similar indicator of the first quarter of 2012 negatively amounted to 43.5 percent.

In the structure of processing industry significant growth of production physical volume was observed in metallurgical industry and manufacture of ready metallic products (by 42.6 percent), in processing of wood and wood products manufacturing (by 36.7 percent), in

production of other non-metallic mineral products (by 3.3 times) due to increase of cement production, ready-mixed concrete, corrugated slate and, renewal of float glass outflow, as well as in chemical production (by 20.2 percent). Meanwhile there was decrease of production volume in export-oriented sectors: textile and clothing manufacture, food and tobacco production.

Table 3. Contribution of separate types of activity in increase/decrease of GDP (percente)

	Specific gravity		Rate of increase		Contribution to increase	
	January-March		January-March		January-March	
	2012	2013	2012	2013	2012	2013
Agriculture, hunting and forest industry	10,4	9,5	0,8	1,5	0,1	0,2
Mining	0,8	0,8	-1,1	-2,3	-0,0	0,0
Processing industry	13,5	15,7	-43,5	28,4	-10,8	3,8
Including "Kumtor"	7,8	9,7	-62,7	39,8	-11,4	3,1
Electricity, gas and water production and distribution	6,0	4,8	24,9	-1,5	1,4	-0,1
Construction	3,3	3,4	-3,5	14,5	-0,1	0,5
Trade; automobile repair	15,8	16,2	6,2	7,4	0,9	1,2
Transport and communication	11,0	11,1	8,4	7,4	0,9	0,8
Other	24,9	23,4	0,9	0,7	0,2	0,2
Net taxes of products	14,3	14,9	-8,4	7,6	-0,9	1,1
GDP	100,0	100,0	-8,4	7,6	-8,4	7,6
GDP without Kumtor			3,7	4,9	3,0	4,5

Source NSC, calculations by NBKR

Negative contribution (-0.1 p.p.) in GDP growth in the reporting period was made by branch of electricity, gas and water distribution, whose volume decreased by 1.5 percent, as the result of electric power output reduction by 5.2 percent and decrease of electricity distribution services by 3.5 percent.

According to preliminary data for January-March 2013, total yield of agriculture production increased by 1.5 percent on an annualized basis against increase by 0.8 percent by the results of the first quarter of 2012.

Gross sales of trading operations in January-March 2013 made 54.9 billion KGS, while in real terms the volume of trade operations increased by 7.1 percent in comparison with the same indicator in 2012 (in January-March 2012 the growth of trade volume made 7.3 percent). Trade augmentation has provided a contribution in GDP growth at the level of 1.2 percentage point.

In accordance with preliminary data for the first quarter of 2013, the investment volume in fixed capital grew up by 9.7 percent in real terms in comparison with the similar indicator in 2012 and made 6.9 KGS billion in nominal terms, while in January-March 2012 the similar indicator decreased by 5.7 percent. In investment branch structure basic share of contributions is held by mining industry – 19.8 percent, manufacturing industry – 16.4 percent, transport and communication – 8.2 percent, electricity, gas and water production and distribution – 3.9 percent.

Foreign economic sector¹

According to forecast data, by the results of the first quarter of 2013, essential increase in trade balance deficit may cause the augmentation of negative balance of account during current operations by 68.2 percent (18.1 percent to GDP).

For the reporting period, it is expected the increase of trade balance deficit of Kyrgyz Republic to 729.7 million USD (growth by 62.9 percent) due to the following basic factors:

- Re-export decrease of oil products to Tajikistan of 117.1 million USD (additional NBKR estimation) :
- Gold export decrease of 30 million USD;

¹According to preliminary and forecast data, taking into account re-export of oil products.

- Other goods export decrease of 11.6 million USD.

Export of goods (by FOB prices) for the reporting quarter of 2013 will constitute 373.2 million USD, having reduced by 29.8 percent in comparison with the similar indicator of the relevant period in 2012.

For the reporting period import of goods (by FOB prices) will grow up by 12.6 percent and it will amount to 1 103.0 million USD.

In the reporting quarter it is expected the decrease of both the import services (by 13.6 percent) and the export services (by 3.7 percent), which is going result in deficit reduction of services balance to 77.7 million USD.

Net inflow of current transfers will amount to 390.3 million USD, which is by 11.5 percent more than the indicator of the basic period. The general growth in the reporting period under this item will be traditionally provided via private transfers, whose net inflow will increase by 11.5 percent and will constitute 391.2 million USD.

By the results of the first quarter of 2013 the capital and financial account will develop with positive balance of 200.8 million USD, which is less than the relevant indicator of the basic period by 19.1 percent.

Operation account surplus with capital is expected to develop positively of 13.1 million USD, having decreased by 37.3 percent in comparison with the similar indicator of the first quarter of 2012. Its basic reason will be the reduction of grants volume, which are received in the framework of public investment program, by 42.7 percent (to 10.5 million USD).

Consequently, by the results of the first quarter of 2013 payment of balance of the Kyrgyz Republic will be represented with the positive balance amounted to 23.1 million USD. The volume of gross international reserves¹ will cover future goods and services import for 3.9 months.

According to preliminary data, from the beginning of 2013 the index of the nominal effective exchange rate of som grew up by 0.1 percent and at the end of March constituted 110.9. This decrease was caused by som depreciation² in March 2013 in comparison with the average exchange rate for December 2012 in relation to Chinese yuan – by 1.0 percent, to US dollar – by 0.8 percent, to the Russian ruble and the Kazakh tenge – by 0.7 percent and to the EUR – by 0.3 percent. At the same time the exchange rate of som against Turkish lira remained at the same level.

Despite of the NEER index strengthening, a lower inflation³ level in Kyrgyzstan stimulated decrease of real effective exchange rate index, which has reduced by 0.9 percent since December 2012 and has made 111.6 at the end of March of the current year.

Public finance sector

By the results of the first quarter of 2013 state budget surplus made 3.1 billion KGS or 5.2 percent to GDP, while in relevant period in 2012 there was observed budget deficit amounted to 1.8 percent to GDP.

General budget financing in January-March of current year was being provided by internal resources amounted to 2.3 billion KGS (3.8 percent to GDP). In the structure of financing by external resources there was surplus of amount of repayment over amount of receiving commitments at the rate of 34.2 million KGS (0.1 percent to GDP).

For the observed period, the budget funds net outflow directed to the operations to acquire non-financial assets (including the operations by the following groups: fixed assets, reserves, land) made 0.5 billion KGS or 0.8 percent to GDP (for the same period in 2012 – 0.5 billion KGS or 1.0 percent to GDP).

¹The volume of the gross international reserves made 2046.2 USD million at the end of March 2013.

²It is presented the nominal double-sided exchange of KGS, 2000 year is used as basic period of index calculation.

³In Kyrgyz Republic in March 2013 the inflation made by 1.1 percent, while the average rate of inflation in major trade countries-partners made by 2.1 percent on the preliminary data.

According to preliminary data of the Social Fund of the Kyrgyz Republic, by the results of January-March 2013, the budget deficit of the Social Fund amounted to 0.2 billion KGS or by 0.4 percent to GDP, income – 7.7 billion KGS or 13.1 percent to GDP, expenses – 8.0 billion KGS or 13.5 percent to GDP.

Consolidated budget surplus (public budget + Social Fund budget) constituted 2.8 billion KGS or 4.8 percent to GDP according to the results of the observed period. Income was 25.4 billion KGS or 43.0 percent to GDP, and expenses – 22.5 billion KGS or 38.2 percent to GDP.

In the first quarter of 2013 public budget revenue increased by 24.1 percent from operational activity in comparison with the same indicator in 2012 and made 21.5 billion KGS or 36.4 percent to GDP (in 2012 this increase was 14.3 percent).

Tax receipts amounted to 15.4 billion KGS, having increased by 11.6 percent¹ or by 1.6 billion KGS in comparison with the same indicator in 2012. The share of tax receipts in total volume of budget revenues from operational activity decreased by 8.0 percentage points in comparison with the same indicator in 2012 and made 71.6 percent. Tax receipts has provided the contribution into income growth of state budget due to the operational activity by 9.2 percentage point.

Non-tax receipts amounted to 3.3 billion KGS for the observed period, having increased by 24.5 percent in comparison with the relevant indicator in 2012. The general contribution in the growth of this expenditures was added by inpayments for paid services provision: educational and medical. Thus, non-tax receipts provided contribution into increase of the state budget revenues from operational activity by 3.8 percent.

The receipt of the official transfers amounted to 2.8 billion KGS, having risen by 3.2 times or by 1.9 billion KGS. The increase was generally related with grants from Russia, ADB and EEC totally amounted to 47.9 million USD. These funds returned to Government accounts at the end of 2012, but in reports of Central Treasury of MoF of the Kyrgyz Republic it is reflected in revenue part of budget related to current year. The receipts of the official transfers have provided the largest contribution into increase from operational income of public budget (+11.1 p.p.).

State budget expenses for the operational activity in the first quarter of 2013 amounted to 17.9 KGS billion, insignificantly having increased by 1.2 percent² or by 0.2 billion KGS.

In accordance with functional classification of the budget expenses in the reporting period there was observed the reduction of expenditures in regards to on economical questions (1.0 p.p.), education (0.8 p.p.), health care (0.6 p.p.), government services of general-purpose (0.5 p.p.), housing and communal services (0.2 p.p.), security, defense and public order (0.1 p.p.), rest, culture and religion (0.1 p.p.). Social protection expenses have increased by 0.2 percentage point, while environmental protection expenses have remained the same.

In the structure of economical classification expenses it is preserved high share of expenses, which are directed for the current consumption. In the observed period, subsidy and social benefits payout share in the expenditures increases by 3.3 percentage points. The basic input into the growth of this expenditure group were made by expenses for pension basic part payment accordingly social insurance of population, whose financing is realized in amount of 80 percent from central budget in accordance with Presidential -Ddecree of Kyrgyz Republic No. 252 adopted on May 26, 2009 (in 2012 financing from central budget was at the rate of 60 percent)

As of the end of March 2013, the government debt totaled 155.4 billion KGS or 3.2 billion USD, part of the external debt is 142.3 billion KGS, domestic debt – 13.2 billion KGS. Interest payments for government debt servicing in January-March 2013 made 0.7 billion KGS, the share of the payments by external and domestic debts amounted to 63.0 percent and 37.0 percent from general interest payment respectively.

¹In real terms (adjusted by SPI) increased by 3.6 percent.

²In real terms (adjusted by SPI) decreased by 6.1 percent.

Financial sector

Banking system

As of March 31, 2013¹, 23 commercial banks (including Bishkek branch of National Pakistan Bank) and 282 branches of commercial banks operated in the Kyrgyz Republic (in the same period of 2012 there were 22 commercial banks and 254 branches). Banking sector has received in general net profit amounted to 513.2 million KGS (in January-March 2012 – 485.0 million KGS).

At the end of March 2013, aggregate assets of the banking system constituted 90.4 billion KGS, having increased by 4.2 percent or 3.6 billion KGS (in the similar period of 2012 aggregate assets of banking system made 71.3 billion KGS, assets growth was 6.9 percent or 4.6 billion KGS).

As of the close of the reporting period the deposit base volume of commercial banks amounted to 52.0 billion KGS, having increased by 2.7 percent from the beginning of the year. Particularly, currency component of deposit base increased by 6.2 percent, while the volume of KGS deposits decreased by 0.5 percent.

The growth of the deposit inflow in commercial banks was noted in the reporting period. The volume of the newly accepted deposits² amounted to 52.9 billion KGS in the first quarter of 2013, having increased by 6.0 percent in comparison with the similar indicator in 2012. The volume of newly accepted deposits in national currency made 28.4 billion KGS (+14.7 percent), in foreign currency - 24.5 billion in KGS equivalent (-2.6 percent).

The weighted average interest rate of newly accepted deposits in national currency was 2.3 percent, having increased by 0.1 percentage points on an annualized basis.

The rate of the newly accepted deposits in foreign currency remained at the level of indicator of the similar period in 2012, amounting to 0.8 percent.

In the first quarter of 2013, credit portfolio increase were continued by banks. In the same time the volume increase of trade crediting was still the most significant factor of the total credit portfolio growth in banks.

In the current year, realization of the public project “Agriculture financing” was started, whose purpose is to support and assist agricultural vendors of the republic to fulfill spring sowing campaign in time, and to stimulate further development of livestock breeding and manufacturing sector in agriculture. By the terms of the project from the funds of central budget Government subsidizes commercial banks and specialized financial credit organizations due to soft credits distribution at the rate of 10 percent per year. General volume of subsidies granted in the first quarter made 180.6 million KGS from 400 million KGS pledged in frameworks of the project. As the result, at the end of March total credit arrear according to this project made 1.1 billion KGS or 2.7 percent of total credit bank portfolio.

The volume of credit portfolio of active commercial banks at the end of the first quarter of 2013 constituted 42.5 billion KGS, having increased by 6.1 percent. At the same time the credit portfolio in national currency increased by 5.9 percent, amounting to 19.7 billion KGS. The volume of issued loans in foreign currency made 22.9 billion in KGS equivalent at the end of March, having exceeded the relevant indicator at the beginning of the year by 6.2 percent.

At the end of the reporting period in terms of industries credit bank portfolio was assigned in following manner. In January-March of 2013 share of trade credit, being the greater part of credit portfolio, decreased by 0.5 percentage points to 39.4 percent. Also, mortgage credits share reduced from 9.6 to 9.5 percent, share of the loans directed to construction decreased from 5.5 to 5.4 percent and the consumer credit share – from 9.4 to 8.7 percent. In the same time there was the share growth of agricultural credits by 1.3 percentage points, to 16.4 percent, and the share of the loans in industry in total volume increased by 0.8 percentage points

¹Data are presented in regards with regulatory report of commercial banks.

²In the volume of newly accepted deposits settlement accounts of bank clients are not into account.

to 6.4 percent. The credits for transport, communication spheres and credits for procurement and processing, as well as for social services, as before, constituted insignificant share – cumulatively about 4.4 percent. The share of “other” credits decreased from 10.3 to 9.7 percent for the quarter.

The volume of newly issued credits in the first quarter of 2013 amounted to 12.0 billion KGS, which is 41.5 percent more than the amount having been issued in the similar period in 2012. Credits in national currency increased by 42.9 percent, credits in foreign currency grew up by 40.3 percent.

The weighted average interest rate of newly issued credits in national currency at the end of March 2013 decreased by 1.2 percentage points in comparison with the similar indicator of 2012, amounting 19.6 percent, in foreign currency it increased by 0.3 percentage points to 20.6 percent.

Nonbanking financial institutions licensed by NBKR

As of end of March 2013, there were 800 nonbanking financial institutions (NBFI) in the Kyrgyz Republic, among them the following: OJSC “Financial Company of Credit Unions” (FCCU) - 1, credit unions (CU) – 172, micro-credit companies (MCC) - 232, micro-credit agencies (MCA) – 73, micro-financial companies (MFC) – 5, exchange offices (EO) – 317 (in the similar period in 2012 the number of NFCO was 924).

Credit portfolio¹ of NFCO increased by 6.1% (or 0.9 billion KGS) since the beginning of 2013 and at 31 March 2013 amounted to 16.3 billion KGS. Besides since the beginning of the year the number of the debtors of NFCO decreased by 0.6% to 431 386 people.

Table 4. Credit portfolio of NBFI (KGS billion)

Name of NBFI	31.03.2012	31.12.2012	31.03.2013
FCCU	430.2	409.2	426.6
MCO (MFC, MCC/MCA) ²	14 498.7*	14 060.9	14 937.9
Credit Unions	1 223.1	1 344.6	1 400.3
Total	15 721.8	15 405.5	16 338.2

¹Data are presented without FCCU (due to the fact that credits of FCCU are issued by credit unions).

²As of 31.03.2013 deposits attract 12 credit unions (on the basis of NBKR license).

*MCC/MCA provide reports on a semiannual basis.

The weighted average interest rate of NBFI credits at 31 March 2013 is: by 16.1 percent from Financial Company of Credit Unions, by 34.4 percent from micro financial organizations and by 28.2 percent from credit unions (the weighted average interest rate of NBFI credits at 31 March 2012: FCCU – 15.9 percent, MFO – 38.3 percent and CU -28.4 percent, respectively).

Deposit base of NBFI (credit unions)² has increased by 9.4 percent or 4.8 billion KGS since the beginning of the year, and as of 31.03.2013 has constituted 56.1 million KGS (as of 31.03.2012 - 39.7 million KGS).

¹Data are presented without FCCU (due to the fact that credits of FCCU are issued by credit unions).

²As of 31.03.2013 deposits attract 12 credit unions (on the basis of NBKR license).