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Press Release

National Bank of the Kyrgyz Republic keeps its policy rate unchanged at 7.5 percent

On September 1, 2021, the Board of the National Bank of the Kyrgyz Republic decided to keep the policy rate (key rate) unchanged at 7.5 percent. The decision becomes effective as of September 2, 2021.

Stimulus measures continue to boost the recovery of economic activity in the main trading partners of the Kyrgyz Republic. Inflationary pressures have been increasing due to rapid recovery in demand and limited supply of certain goods on the global markets. Development prospects in global and regional economies remain uncertain due to the imposition of additional restrictive measures owing to appearances of new variants of COVID-19 as well as the low rate of vaccinations worldwide.

Economic recovery of the Kyrgyz Republic slowed down in Q2 2021. As a result, between January and July 2021, GDP decreased by 1.6 percent compared to the same period in 2020, whereas GDP without “Kumtor” gold-mining enterprises increased by 3.6 percent over the same period. The decline in production in the agricultural and industrial sectors are the main obstacles to economic recovery. Domestic demand is demonstrating a gradual recovery, but has not yet reached the pre-pandemic level. Over the period of January-July 2021, remittance inflows continued to grow. Net remittance inflow from individuals increased by 31.1 percent and amounted to about USD 1.1 billion.

Global food prices are still shaping the inflation dynamics in the Kyrgyz Republic. In August 2021 (as of August 20, 2021), consumer prices witnessed an increase of 14.1 percent in annual terms and a year-to-date increase of 6.3 percent. At the same time, however, the seasonal decline in the prices of fruits and vegetables made a deflationary contribution to the current dynamics of inflation. A possible increase in administrative prices and tariffs could further affect overall inflation in 2021.

The National Bank continued to tighten its monetary policy in order to mitigate inflationary pressures. The short-term money market rates and the key rate both exhibited a common upward trend. Money market rates remained within the interest rate corridor of the National Bank. Money market participants remain active mainly in the short-term segment of the market. The banking system has built a large liquidity buffer. Credit to the economy and the deposit base continue to grow.

The risks of new dangerous variants of COVID-19, as well as the slow and uneven population vaccination process, still predetermine economic development trends in the Kyrgyz Republic and its trading partners. Price movements in the Kyrgyz Republic will largely depend on

the situation on the global food market, where there are risks of increases in the prices of certain goods.

Considering the prerequisites for development of the external environment and internal economic conditions, the National Bank decided to keep its policy rate unchanged at 7.5 percent. In case any risks materialize, the National Bank does not rule out the possibility of making additional adjustments to its current monetary policy.

The National Bank will continue to regularly assess the external and internal factors influencing inflation and, depending on the economic situation, will make relevant monetary policy adjustments.

Briefing:

The next meeting of the Board of the National Bank of the Kyrgyz Republic on the policy rate is scheduled for October 25, 2021.

Chart 1. Overall inflation in the Kyrgyz Republic
(%, month to the corresponding month of the previous year)

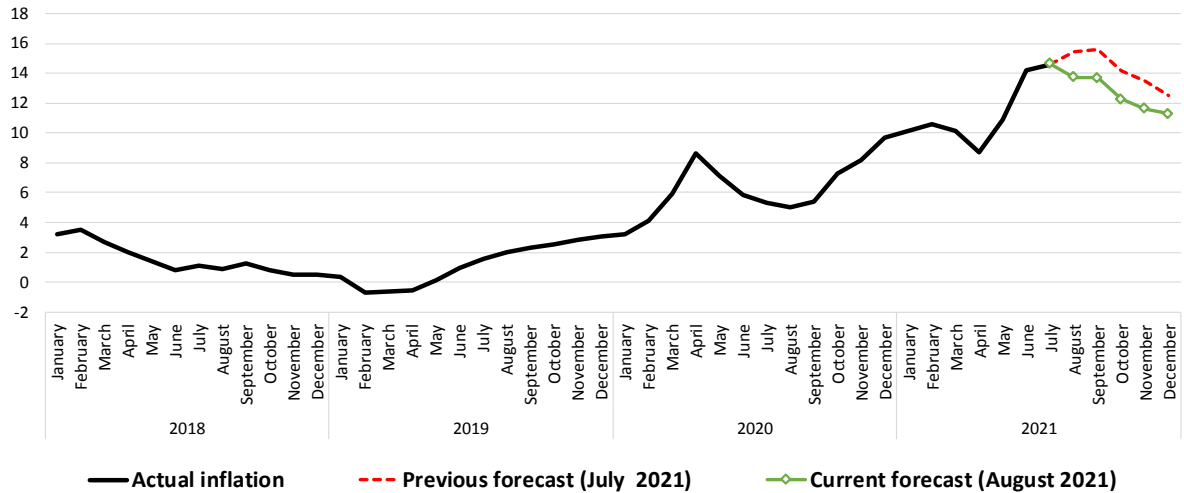
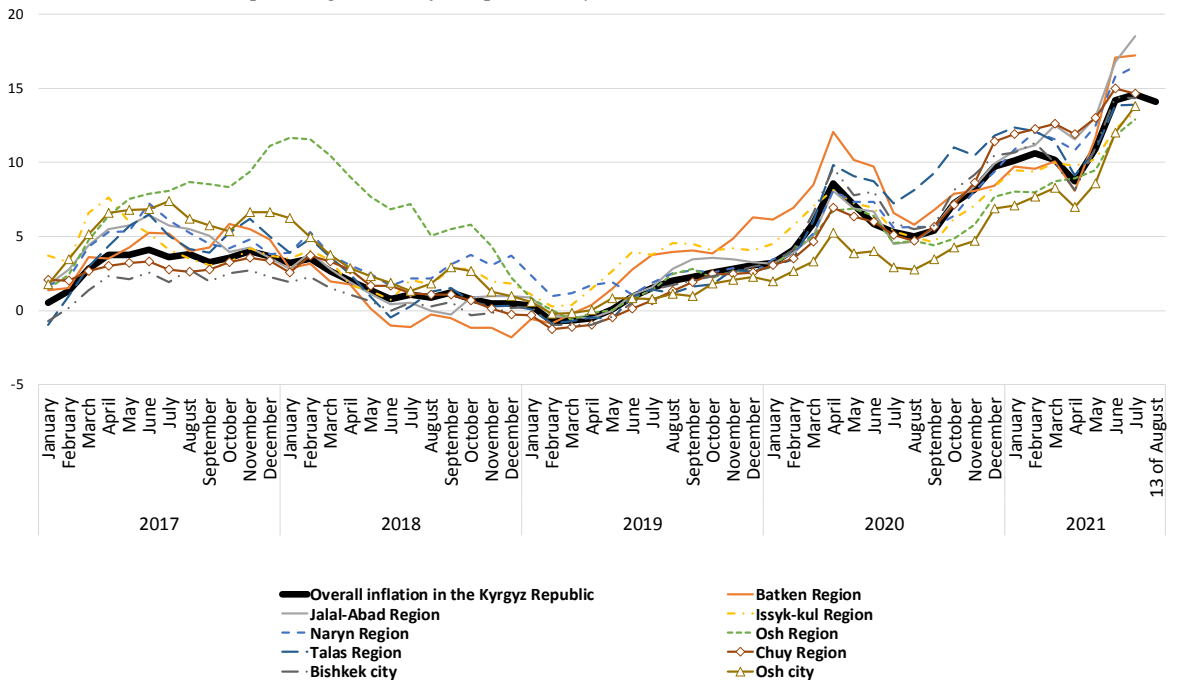


Chart 2. Inflation in the Kyrgyz Republic in regions
(%, month to the corresponding month of the previous year)



*based on data from the National Statistical Committee

Chart 3. Policy rate of the National Bank of the Kyrgyz Republic
(percent)

