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Press Release

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

On October 25, 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 October 26, 2021.

The economies of trading partners of the Kyrgyz Republic continue to actively recover. However, growing inflation and the risks of more dangerous variants of the coronavirus increase uncertainties about stable economic growth in the region.

Economic activity in the Kyrgyz Republic is gradually picking up. Over the period of January-September 2021, real GDP reached a positive level of 0.1 percent, whereas GDP growth excluding “Kumtor” gold-mining enterprises stayed at the level of the previous month and amounted to 3.6 percent. However, declines in the industry production (-1.2 p.p.), agricultural sector (-0.7 p.p.) and construction (-0.5 p.p.) remain the critical obstacles to economic recovery. Domestic demand in particular is recovering more slowly than expected despite increase in the volume of remittances inflows to the country (+20.6 percent in January-August 2021).

Various non-monetary factors continue to affect consumer prices in the Kyrgyz Republic. In October 2021 (as of October 15), the annual inflation rate reached 11.8 percent after a drop from 13.5 percent in September 2021. The global increase in food prices also contributed to the rise in consumer prices in the country.

The current course of conducting monetary policy remained largely the same and the situation on the money market continues to be stable. Short-term interest rates demonstrated a downward trend but remained within the interest rate corridor. Interbank credit market participants have become more active, mainly in the short-term segment of the market.

The banking system continued to operate under a high level of excess liquidity. Credit to the economy demonstrated positive dynamics and the deposit base of banks expanded. Dollarization rates of deposits and loans are declining.

The situation in the domestic foreign exchange market demonstrates stability. The National Bank conducted foreign exchange interventions to prevent sharp fluctuations in the exchange rate.

The external environment poses a risk of high inflation in the country. In 2021, upsurges in global food prices, an increase in administered prices and tariffs (electricity and public transport tariffs) and unfavorable climate conditions in the spring-summer period of the current year, which resulted in a significant decrease in the agricultural production output, were the main non-monetary pro-inflationary factors.

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 both 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 November 29, 2021.

Chart 1. Overall inflation in the Kyrgyz Republic

(%, month to the corresponding month of the previous year)

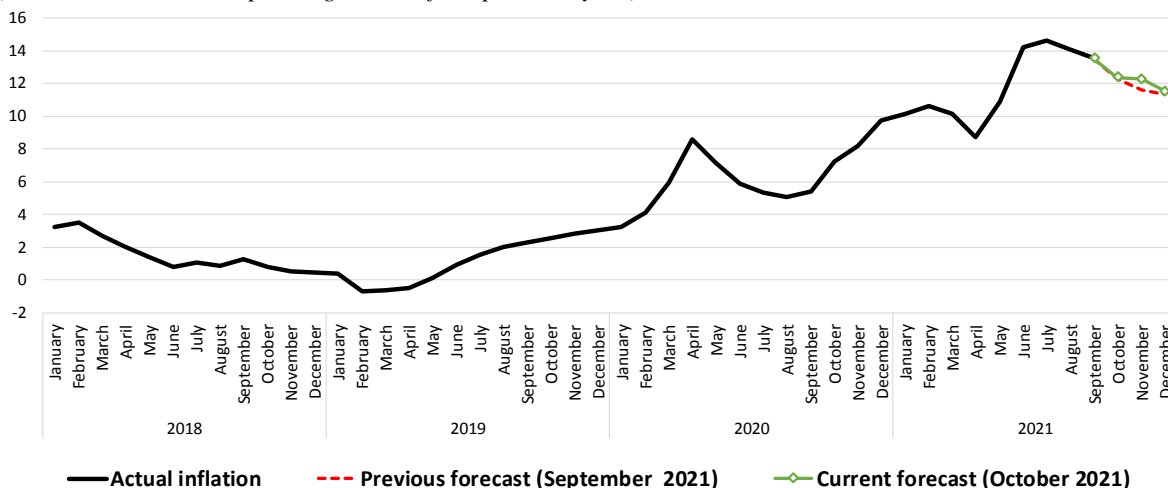
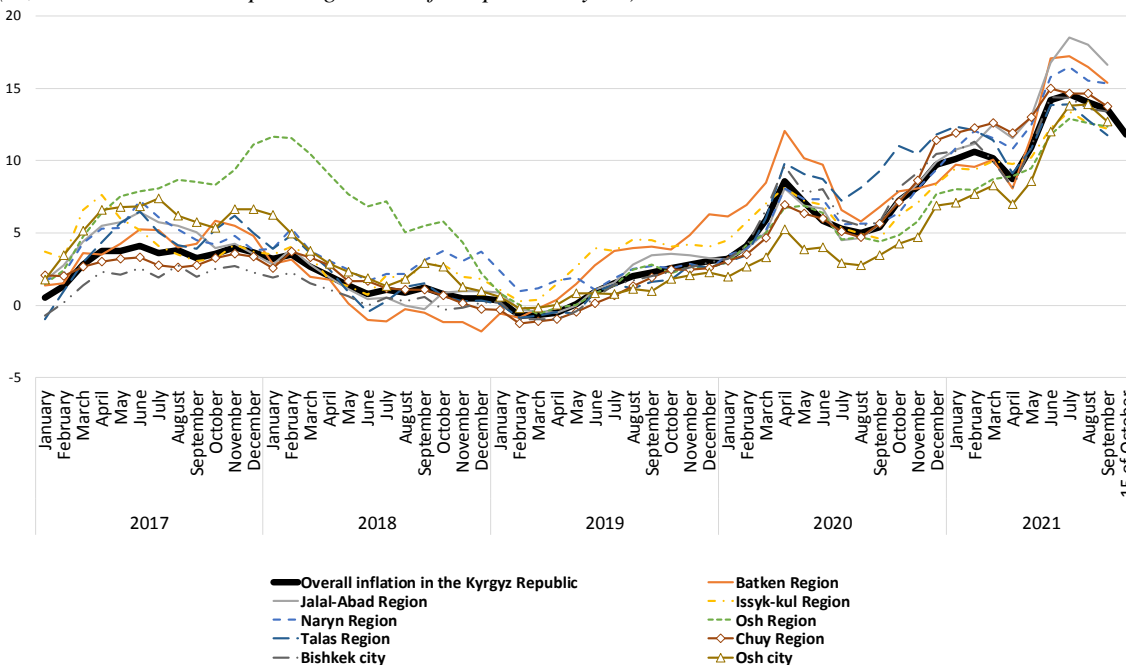


Chart 2. Inflation in the Kyrgyz Republic in regions

(%, 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)

