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## Press Release

### **National Bank of the Kyrgyz Republic raised its policy rate by 0.75 percentage points**

On February 24, 2020, the Board of the National Bank of the Kyrgyz Republic decided to raise the policy rate (key rate) by 75 basis points up to 5.0 percent. The decision becomes effective as of February 25, 2020.

Price dynamics in the Kyrgyz Republic demonstrates moderate growth. In February (as of February 14), annual inflation was 3.9 percent. The increase in food prices continues to exert inflationary pressure on the general price level.

The development of the country's economy is still largely influenced by external economic conditions. Economic activity in the main trading partner countries of the Kyrgyz Republic remains stable. The trends in global and regional food markets will continue demonstrating gradual growth in the coming periods.

The National Bank forecasts inflation approaching the lower boundary of the target range in the second quarter provided that there is limited influence of external shocks and the absence of internal shocks. The average annual inflation (period to period) in the current year is forecasted at 4.6 percent, its value at the end of the year (December 2020/December 2019) is expected to be approximately 5.0 percent.

In the economy of the Kyrgyz Republic, aggregate demand continues to be supported both due to the preservation of economic activity within the country and due to the economic growth in the main trading partner countries, which present demand for domestic goods and services.

The monetary and financial sectors of the economy still demonstrate positive trends. Excess liquidity remains in the banking system, which leads to the National Bank's withdrawal operations. Short-term money market rates are within the interest rate corridor set by the National Bank and mainly close to the policy rate. Activity in the interbank credit market is stable.

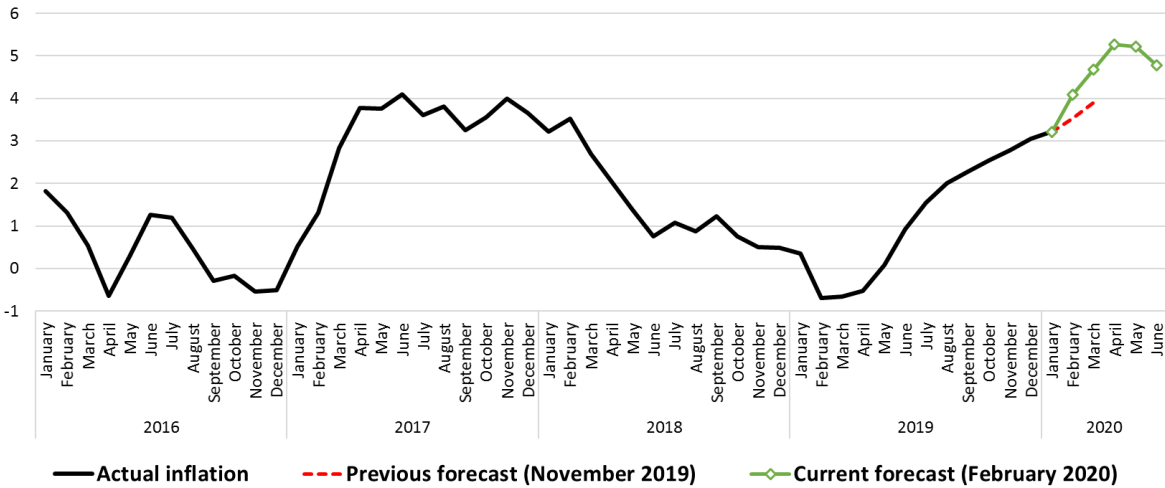
Decisions on the policy rate are made taking into account the actual level and the forecasted inflationary dynamics relative to the target range of 5-7 percent in the medium term. Taking into account the preconditions for the external environment development, the current internal conditions, as well as the forecasted dynamics of inflationary processes in the medium term, the National Bank decided to raise the policy rate up to 5.0 percent.

The National Bank on a regular basis assesses external and internal factors influencing inflation and depending on the economic situation will take relevant monetary policy measures.

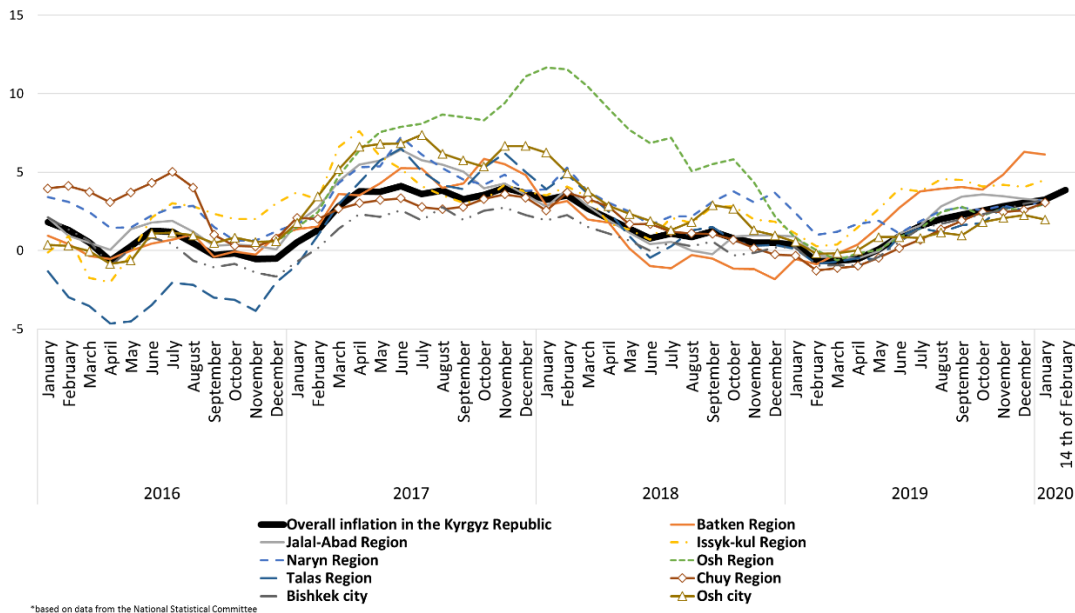
*Briefing:*

The next meeting of the Board of the National Bank of the Kyrgyz Republic on the monetary policy rate is scheduled for March 30, 2020.

**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)



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

