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Press Release

National Bank of the Kyrgyz Republic reduced its policy rate to 4.50 percent

On February 25, 2019, the Board of the National Bank of the Kyrgyz Republic decided to reduce the policy rate (key rate) by 25 basis points to 4.50 percent. The decision becomes effective as of February 26, 2019.

Price dynamics in the Kyrgyz Republic remains at a low level. Since the beginning of the year inflation has been formed at a low rates and, in February, turned into the negative zone. As of February 15, 2019, general price level has decreased by 0.7 percent in annual terms. Prices for almost all groups of goods and services have been declined, excluding prices for alcohol and tobacco products that have demonstrated moderate growth. The National Bank forecasts low inflationary dynamics during the first half of 2019 with slight acceleration by the end of the year. In 2019, the average inflation rate is expected at the level of 3.0 percent.

Economic activity in the main sectors of economy remains stable. In January 2019, GDP growth was 6.4 percent, excluding the data on the “Kumtor”¹, GDP increased by 1.9 percent. Domestic demand is still supported by the inflow of remittances and increase in real wages (in 2018, net inflow of remittances increased by 5.5 percent, real wages increased by 3.8 percent).

The monetary policy is still being stimulating and will be focused on expansion of lending and support of economic activity in the country.

The banking system has a large amount of excess liquidity that conditioned the National Bank to conduct sterilization operations. The short-term interest rates of the money market are within the interest rate corridor set by the National Bank. Interbank credit market activity has grown up due to increase in both the number of participants and the volume of operations. The effect of the monetary policy on the economy increased due to narrowed gap between the interbank credit market rates and the policy rate.

Generally, the domestic foreign exchange market remains stable and does not pose any significant risks.

Forecast of economic development in the main trade partners of the Kyrgyz Republic and current internal economic environment allow expecting existence of positive trends in the short- and medium-term. The National Bank expects an inflation within the monetary policy target of 5-7 percent in the medium-term, in the absence of shocks. Under these circumstances, it has been

¹ The real GDP value without Kumtor enterprises is more indicative for the monetary policy purposes.

decided to reduce the policy rate. If inflation risks occur, the National Bank does not exclude the possibility of making adjustments in the current monetary policy.

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 is scheduled for March 25, 2019.

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

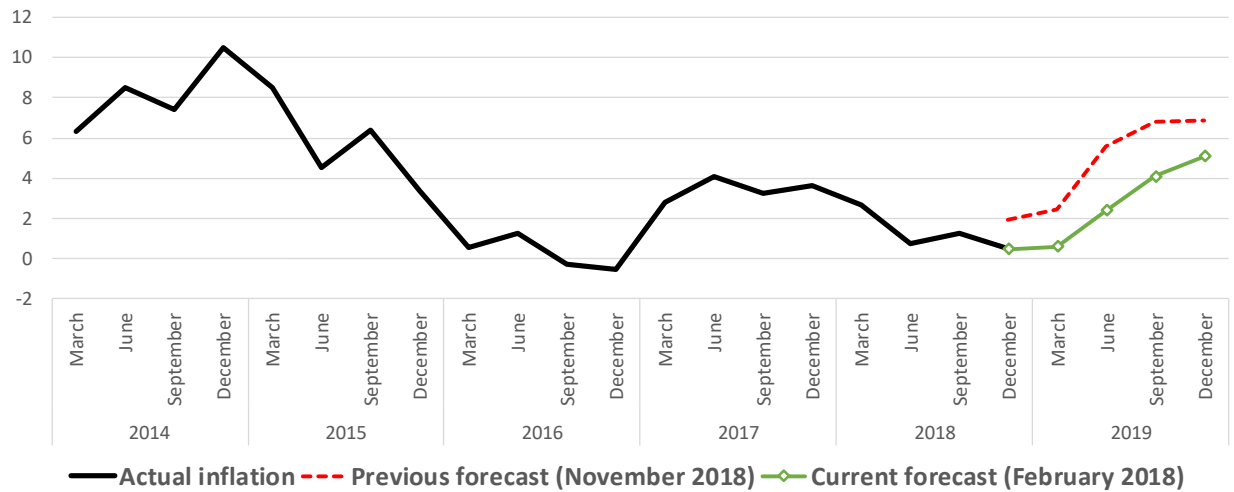


Chart 2. Inflation in the Kyrgyz Republic per region
(%, month to the corresponding month of the previous year)

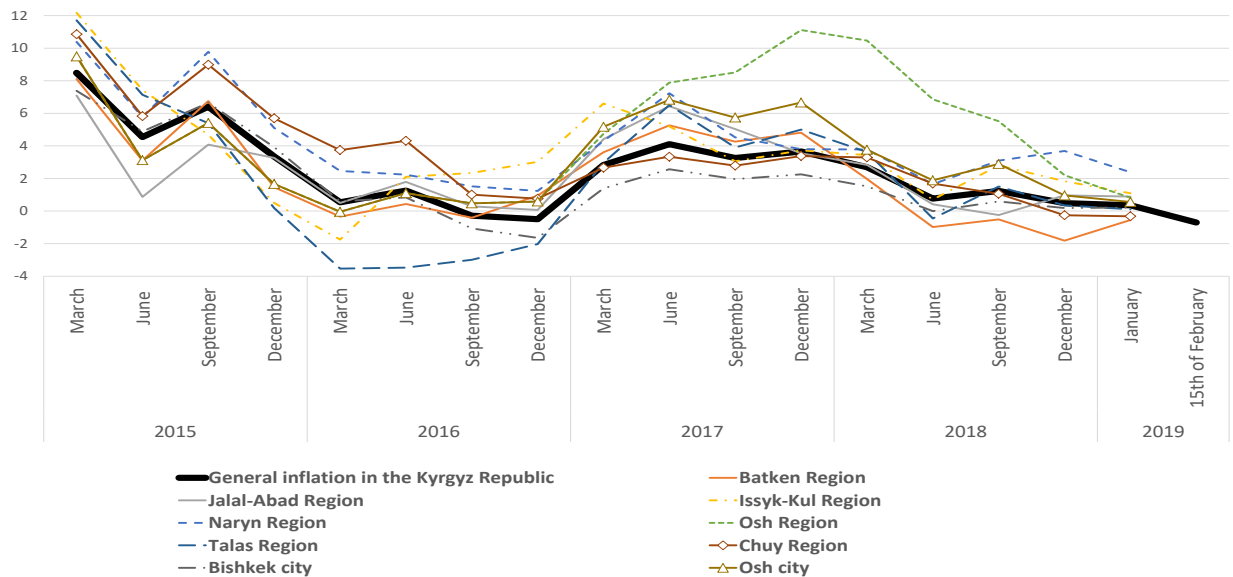


Chart 3. Policy rate of the National Bank of the Kyrgyz Republic
(percent)

