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**Press Release**

**National Bank of the Kyrgyz Republic increased
its policy rate up to 6.50 percent**

On April 26, 2021, the Board of the National Bank of the Kyrgyz Republic decided to increase the policy rate (key rate) by 100 basis points, up to 6.50 percent. The decision becomes effective as of April 27, 2021.

The restrictive measures due to the spread of the COVID-19 new strains and slower vaccination of the population in the world still have a restraining effect on the global economic growth. At the same time, the price environment in the world food markets and increased volatility in the global financial markets are the key factors that affect the recovery scales in the countries - trading partners of our country and, as a result, the economic development of the Kyrgyz Republic.

There are signs of economic recovery in the Kyrgyz Republic, meanwhile the domestic demand remains weak. In January-February 2021, real wages decreased by 5.3 percent. Positive dynamics in the inflow of remittances to the country, which in January-February 2021 increased by 6.4 percent (and amounted to USD 254.1 million), is among the factors of the domestic consumption recovery.

The current inflation dynamics in the Kyrgyz Republic is due to the influence of increased import prices, mainly for food and POL In April 2021 (as of April 16), the annual inflation rate was 8.6 percent, having decreased from 10.2 percent in March 2021. Generally, the external factors, such as accelerated rise in prices in the world food markets and limited supply in the production countries put pressure on the food price movement. A possible increase in the cost of some administered prices (tariffs) will make an additional input to the overall inflation. All these pro-inflationary factors contribute to increase of the inflation rate in the Kyrgyz Republic by the end of this year.

In the monetary sector year-to-date trends remained uncahanged. Short-term money market rates have a common direction with the key rate dynamics, demonstrating narrowing gap between them, and are still fluctuating within the interest rate corridor set by the National Bank. There was a decrease in excess liquidity of the banking system to result in increased activity of the money market participants in the short-term segment, in particular, on the interbank repo operations.

During certain periods recovery of economic activity in the country, as well as existing price volatility in the global commodity markets, conditioned increase in demand for foreign

currency in the domestic exchange market.. The National Bank participates in the foreign exchange market to smooth sharp fluctuations in the exchange rate.

A gradual recovery in external demand is expected in the medium term amid expansionary measures taken by the state support in the trading partner countries and measures strengthening to increase the rate of population vaccination. Current rise in prices in the world commodity markets determines the upward inflation dynamics in the Kyrgyz Republic in the near future. Taking into account prerequisites for development of the external environment and internal economic conditions, the National Bank decided to increase its policy rate up to 6.50 percent. In case of any risks, the National Bank does not rule out the possibility of making additional adjustments to the current monetary policy.

The National Bank will continue to regular 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 monetary policy rate is scheduled for May 24, 2021.

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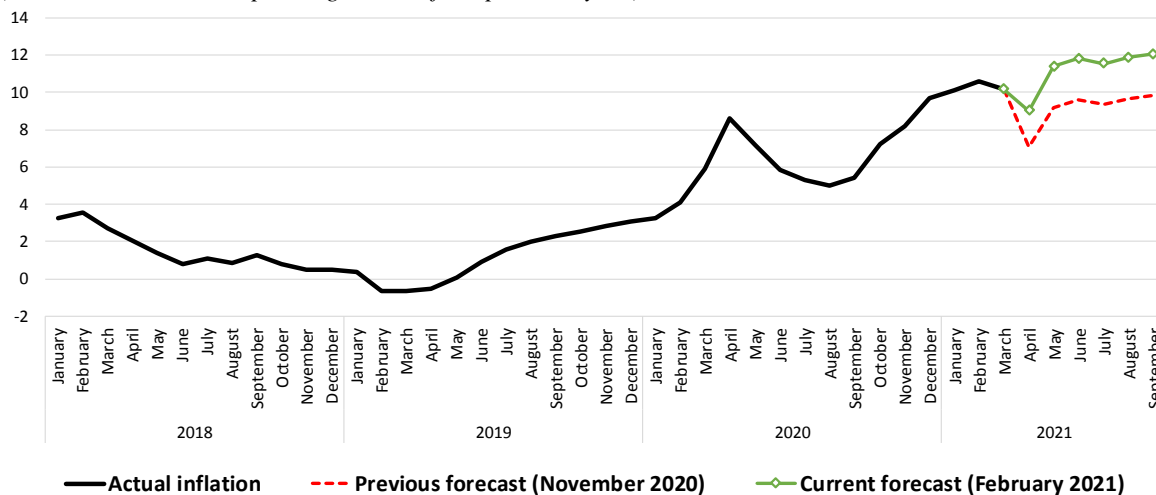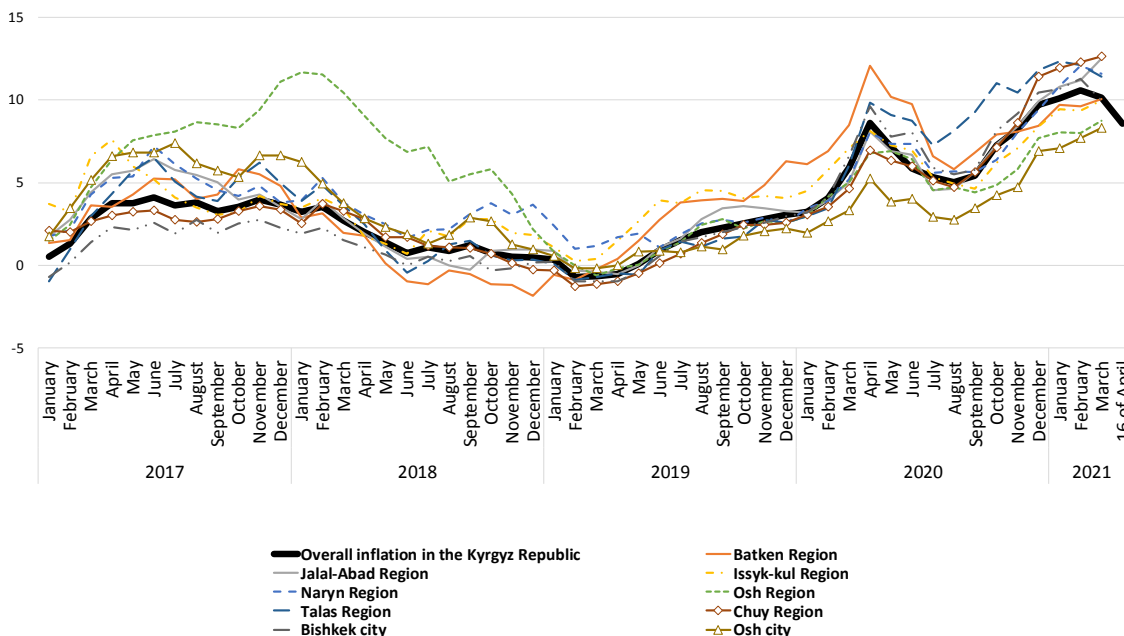*(%, month to the corresponding month of the previous year)*



— **Actual inflation**   - - - **Previous forecast (November 2020)**   —◇— **Current forecast (February 2021)**

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



— **Overall inflation in the Kyrgyz Republic**
— **Jalal-Abad Region**
- - - **Naryn Region**
— **Talas Region**
— **Bishkek city**

— **Batken Region**
- - - **Issyk-kul Region**
- - - **Osh Region**
—◇— **Chuy Region**
—△— **Osh city**

*based on data from the National Statistical Committee

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



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