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Press Release

National Bank of the Kyrgyz Republic keeps its policy rate unchanged at 4.25 percent

On August 26, 2019, the Board of the National Bank of the Kyrgyz Republic decided to keep the policy rate (key rate) unchanged at 4.25 percent. The decision becomes effective as of August 27, 2019.

The price dynamics in the Kyrgyz Republic is showing a moderate growth. In August 2019 (as of August 16), annual inflation was 1.9 percent. Price stability in the international food markets and weak domestic demand were the main factors of inflation. The National Bank forecasts low inflationary dynamics until the end of this year in the absence of internal and external shocks. By the end of 2019, inflation is expected to be around 4.0 percent (December 2019/December 2018), and its average annual value is no higher than 1.5 percent.

Economic activity in the real sector is continued. In January-July 2019, real GDP growth was 6.9 percent, excluding the data of the “Kumtor” gold-mining enterprises¹ – 3.1 percent. Output increased in all major sectors of the economy mainly in industry. At the same time inflow of remittances has downward trend causing risks for domestic demand weakening.

The monetary sector demonstrates positive tendencies. Easy monetary policy contributes to extension of lending of economy and gradual decrease in cost of credit resources for borrowers. Deposit base of commercial banks is expanding. The interbank credit market shows an increase in the activity of participants. Short-term money market rates are close to the policy rate and continue to be within the interest rate corridor set by the National Bank. The National Bank continues carrying out operations to sterilize excess liquidity, while in the banking system there is a slight decrease in its level. The situation in the domestic foreign exchange market is stable.

Considering the assessments of the external environment development and internal conditions, inflation in the economy of the Kyrgyz Republic in the medium term will be within the monetary policy target of 5-7 percent. This year, amid a stable external inflationary conditions, inflation in the country will be at low values. The National Bank also continues to assess the internal factors affecting inflation. Attention is paid to assessing the effect of the current situation with the arid climatic conditions of the summer period. Depending on the economic situation, the National Bank will take relevant monetary policy measures. If risks will occur in the internal and external

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

environment, the National Bank may consider the possibility of making adjustments in the current monetary policy.

Briefing:

The next meeting of the Board of the National Bank of the Kyrgyz Republic on the policy rate is scheduled for September 30, 2019.

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

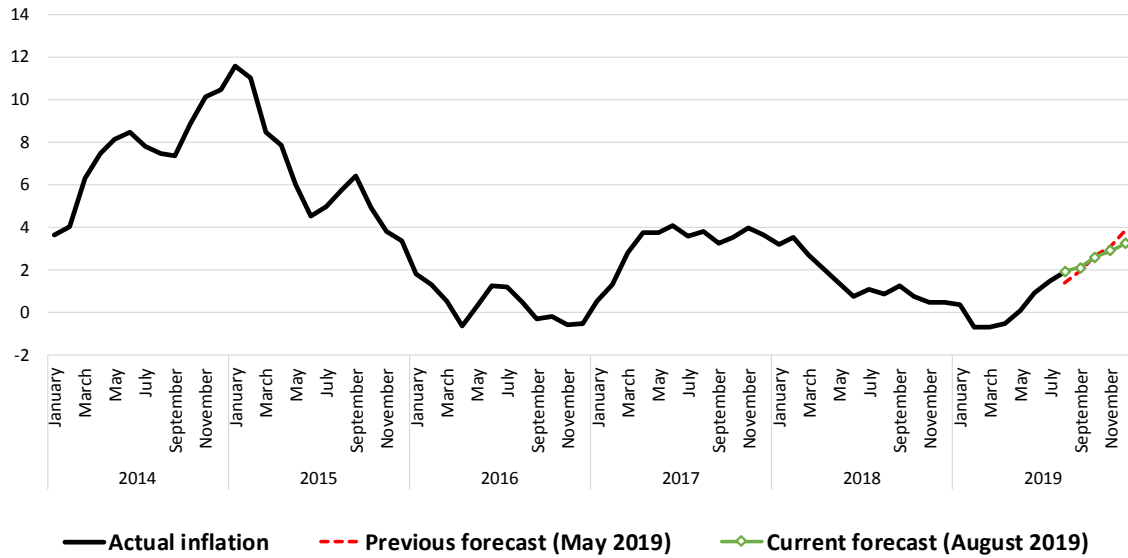
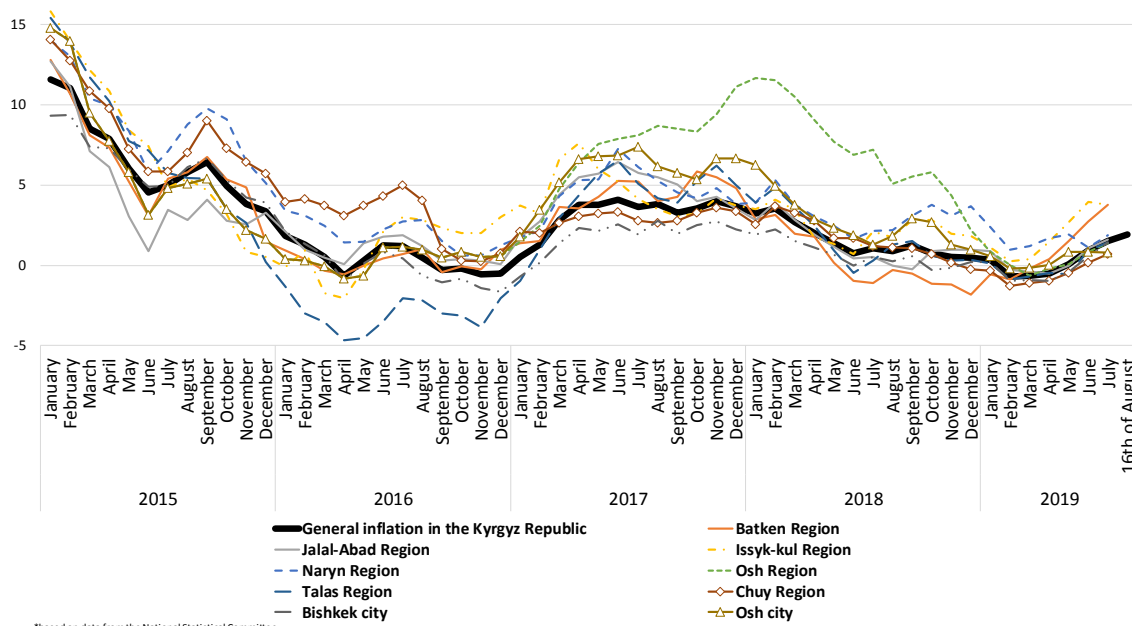


Chart 2. Inflation in the Kyrgyz Republic in regions
(%, month to the corresponding month of the previous year)



*based on data from the National Statistical Committee

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

