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Press Release

National Bank of the Kyrgyz Republic keeps its policy rate unchanged at 14.0 percent

On July 25, 2022, the Board of the National Bank of the Kyrgyz Republic decided to keep the policy rate (key rate) unchanged at 14.0 percent. The decision becomes effective as of July 26, 2022.

Accelerating inflation is still demonstrating global character in the external environment. Price indices for basic food commodities, despite some decline in recent months, remain the highest. In this environment, there is inflationary pressure in the Kyrgyz Republic. In July¹ 2022, the annual inflation rate was 13.6 percent (in June 2022 – 13.1 percent). The rise in prices is observed in all components of inflation. Global rise in prices for food products and gradual recovery of demand are still among the main pro-inflationary factors in our country.

Key indicators of economic growth in Kyrgyzstan demonstrate positive dynamics. At the end of the first half of 2022, GDP growth rate was 6.3 percent (excluding “Kumtor” gold-mining enterprises – 3.9 percent). All sectors of the economy demonstrated active growth: the highest growth rates were observed in the sectors of industry, services and construction. Stable recovery of domestic demand made significant contribution to economic growth.

The current monetary policy of the National Bank is conditioned by the need to restrain inflationary developments in the economy and to minimize the negative impact of the global rise in prices in the world commodity markets. Increased attractiveness of financial assets in the national currency, including KGS time deposits, is among the most important results of the current monetary policy. The volume of newly accepted time deposits of the banking system in the national currency increased by 30.4 percent² (an increase by approximately KGS 5.0 billion²) for the period from February until May 2022. At the end of May 2022, the deposit base in the national currency increased by more than 22 percent compared to May 2021.

Lending activity is supported by the expansion of lending to the real sector of the economy in the national currency. At the end of February-May 2022, the volume of newly issued loans in the national currency increased by 16.2 percent (an increase by approximately KGS 6.8 billion). Dollarization of the banking system is gradually decreasing (at the end of May 2022, dollarization of the deposits constituted 42.2 percent, while dollarization of the loans made 25.9 percent).

Considering the conditions for development of the external and internal economic environment, the National Bank decided to keep its policy rate unchanged at 14.0 percent.

¹ As of July 15.

² The same period in 2021 is taken as the base period.

Maintaining the current monetary policy is necessary to mitigate possible risks and effects of the external environment on the Kyrgyz economy.

The National Bank will continue to regularly monitor the situation and, if necessary, take proper measures to achieve the objective for price stability in the medium term.

Briefing:

The next meeting of the Board of the National Bank of the Kyrgyz Republic on the policy rate is scheduled for August 29, 2022.

Depending on the situation, the National Bank of the Kyrgyz Republic will conduct an unscheduled meeting on the key rate.