

Press-release
**The National Bank of the Kyrgyz Republic keeps
its policy rate unchanged at 6 percent**

On August 29, 2016, the Board of the National Bank of the Kyrgyz Republic decided to keep the monetary policy rate unchanged at 6.00 percent. The decision becomes effective as of August 30, 2016.

Previously taken monetary policy measures continue to have an impact on reducing the current inflation in the Kyrgyz Republic. Annual inflation rate decreased from 3.4 percent at the beginning of this year to 0.5 percent in August 2016 (as of August 19). This decrease was largely due to the decrease in food prices supported by supply factors such as growth of production in agriculture and favorable situation in the grain markets of Kazakhstan and Russia and the world's major food markets. Relatively low domestic demand still constraints consumer prices in the country.

The economic situation have been adjusting to a positive side. In January-July 2016, real GDP decreased by 1.2 percent, compared to 2.3 percent decrease in January-June 2016. Significant drop in production of the manufacturing industry, mainly due to decline in production of the “Kumtor” gold-mining enterprises, and weak demand for domestic products remain as restraining factors of economic growth. Excluding Kumtor, the economy grew by 1.6 percent. For the monetary policy formulation and analysis, real GDP without “Kumtor” data is more relevant indicator for the National Bank.

At the domestic foreign exchange market in some periods of August demand for foreign currency slightly exceeded its supply. Since the beginning of the year (as of August 25), the Kyrgyz Som has appreciated by 9.6 percent. The exchange rate policy of the National Bank aimed at smoothing the sharp exchange rate fluctuations.

Taking into account the medium term inflation forecast, the National Bank decided to keep the policy rate unchanged. In the conditions of low inflationary risks, this decision will allow further maintaining the stimulation of the real economy.

National Bank will continue to assess external and internal factors influencing inflation and conduct proper monetary policy aimed at keeping inflation rate within the 5-7 percent band in the medium term, as determined in the Main monetary policy guidelines.

Information note:

The next meeting of the Board of the National Bank of the Kyrgyz Republic on the monetary policy rate is scheduled for September 26, 2016.