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Press Release

National Bank of the Kyrgyz Republic increased its policy rate up to 8.0 percent

On November 29, 2021, the Board of the National Bank of the Kyrgyz Republic decided to increase its policy rate (key rate) by 50 basis points, up to 8,0 percent . The decision becomes effective as of November 30, 2021.

Increased business activity worldwide and in the trading partners of the Kyrgyz Republic demonstrates slowdown amid the active phase of economic recovery and introduction of new restrictive measures against COVID-19 outbreaks. Current restrictions in the global supply chains and the consequences of stimulus measures taken to minimize the pandemic effects both condition a high inflationary environment in all countries worldwide.

Economic growth of the Kyrgyz Republic is gradually picking up; the phase of economic recovery to the pre-pandemic level is still in progress. Based on the results of 10 months of 2021, real GDP increased by 1.6 percent. Whereas, GDP without “Kumtor” gold-mining enterprises increased by 4.1 percent. The positive dynamics of economic recovery is supported by increasing remittance inflow to the country. In January-September 2021, net remittance inflow from individuals increased by 19.0 percent and amounted to about USD 1.6 billion.

Current consumer price movement suffers the influence of various non-monetary shocks. In November 2021 (as of November 19, 2021), the annual inflation rate was 12.1 percent, prices witnessed a year-to-date increase by 9.5 percent. Steady rise in prices on the world food markets, an increase in tariffs and adjustable prices (an increase in tariffs for public transport and electricity), as well as a significant growth in prices for petroleum, oil, and lubricants due to increase in prices for energy resources worldwide were the main factors for current growth in consumer prices in the Kyrgyz Republic.

The National Bank continued to tighten its monetary policy due to increasing inflationary environment and growing inflationary expectations. The short-term interest rates and the key rate both increased and remained within the interest rate corridor on the money market.

Tactical monetary decisions were made under a significant increase in excess short-term liquidity in the banking sector. The highest activity of the money market participants appeared in the short-term segment of the market. In general, the monetary policy conducted by the National Bank contributed to increased profitability and attractiveness of assets in the national currency.

The situation in the domestic foreign exchange market demonstrates stability. The National Bank, adhere to a floating exchange rate regime, participates in the foreign exchange auctions to mitigate sharp fluctuations in the exchange rate.

Further growth in the world food prices is expected to be one of the main factors of inflation in the Kyrgyz Republic. Rise in administered prices and tariffs can accelerate further inflation.

Considering the prerequisites for development of the external environment and internal economic conditions, the National Bank decided to increase its policy rate up to 8.0 percent. In case any risks materialize, the National Bank does not rule out the possibility of making additional adjustments to its 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

Chart 1. Overall inflation in the Kyrgyz Republic

(%, month to the corresponding month of the previous year)

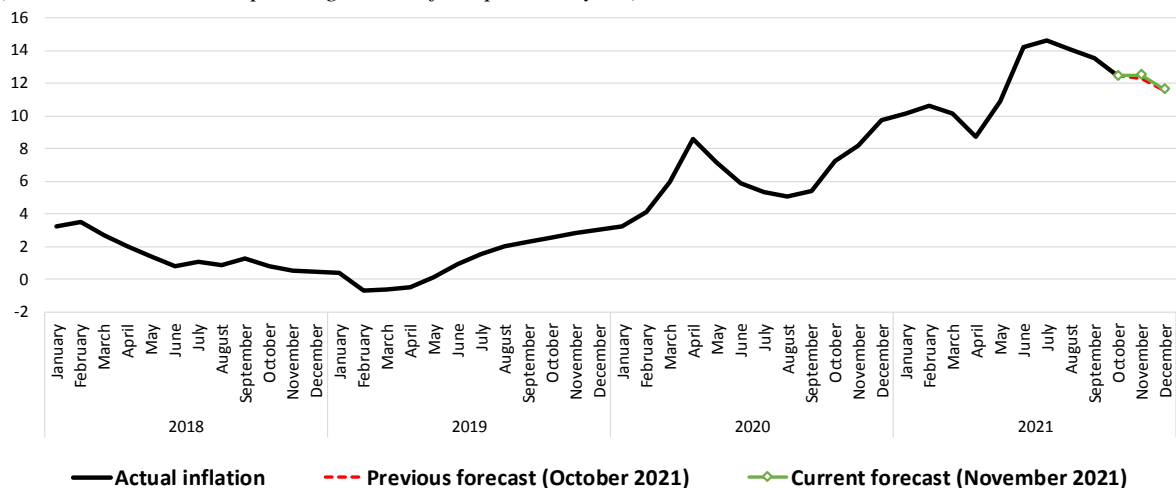
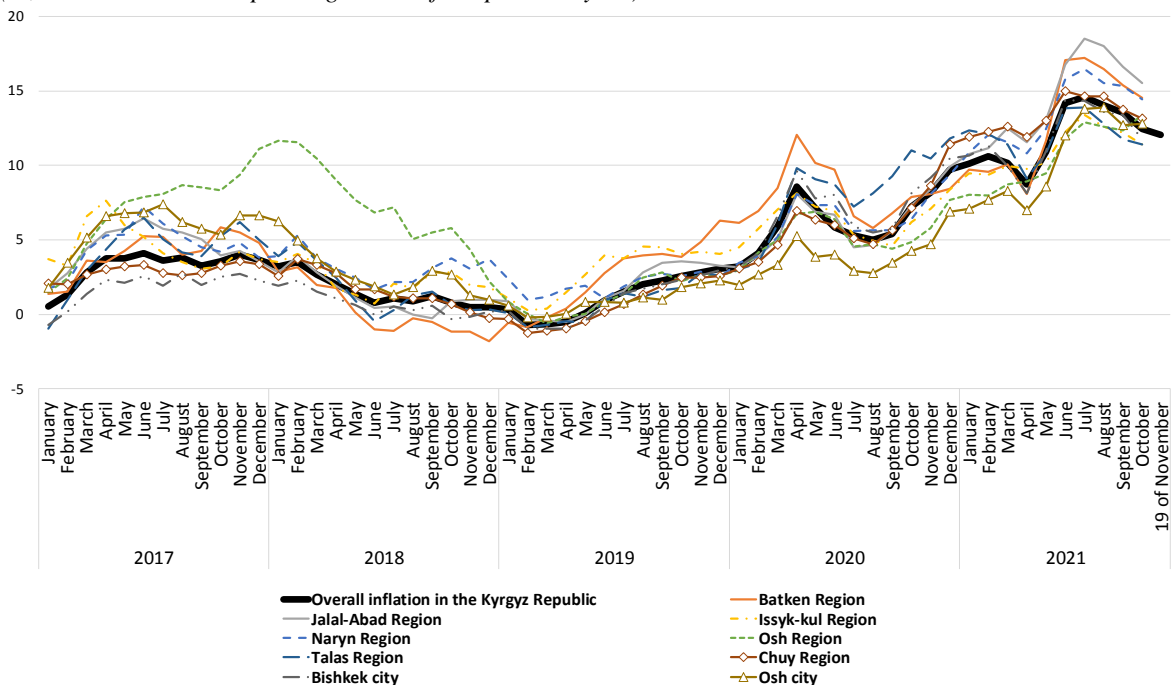


Chart 2. Inflation in the Kyrgyz Republic in regions

(%, 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)

