

National Bank of the Kyrgyz Republic

Inflation Report

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Bishkek

Inflation Report

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The publication covers the consumer price dynamic in the country and its regions and the analysis of major inflation factors as well as informs about any decisions of the National Bank of the Kyrgyz Republic in monetary policy and offers inflation forecast for the forthcoming period. The report is published quarterly in the Kyrgyz, Russian and English languages.

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Other Publications of the National Bank of the Kyrgyz Republic

Annual Report of the National Bank of the Kyrgyz Republic

This publication is a last year statement of the National Bank of the Kyrgyz Republic (NBKR). It contains brief information about the country's economic development and monetary policy, financial statements of the NBKR, general information about the NBKR, and statistic annexes. It is published in Kyrgyz, Russian and English languages.

Bulletin of the National Bank of the Kyrgyz Republic

This monthly publication contains statistic data for major macroeconomic indicators and sectors of economy of the Kyrgyz Republic. It is published in Kyrgyz, Russian and English languages.

Balance of Payments of the Kyrgyz Republic

Balance of Payments of the Kyrgyz Republic reflects trends of external sector development, data of the payment balance, foreign trade, international reserves, external debt, and international investment position of the Kyrgyz Republic. It is published on quarterly basis in January, May, July, and October in Kyrgyz, Russian and English languages.

Banking System Development Trends

This publication provides an analysis and assessment of the development of Kyrgyz banking system as a financial intermediary, and components of its stability. It is published semiannually in Kyrgyz, Russian and English languages.

Statutory Acts of the National Bank of the Kyrgyz Republic

The objective of this document is to officially publish the statutory acts of the NBKR in order to provide commercial banks and general public with regulatory documents and information about NBKR activities, and to popularize the banking legislation of the Kyrgyz Republic. It is published, as a rule, once a month in Kyrgyz and Russian languages.

Press Release of the National Bank of the Kyrgyz Republic

Press Release of the NBKR contains the description of events related to the National Bank and banking system, major financial market data for the week and other information for mass media, legal entities and individuals. It is published on a weekly basis in Kyrgyz and Russian languages.

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Chapter 1. Economic Status of the Kyrgyz Republic

1.1. Demand and Supply in the Commodity and Service Market

1.1.1. Demand

According to the preliminary data for January-March 2011, the GDP volume in current prices increased by 0.4 percent against the comparable indicator of 2010 to make 46.6 billion KGS, whereas in January-March 2010, the GDP volume increased by 16.8 percent. Exclusively of enterprises engaged in developing of the gold ore field Kumtor, the GDP volume increased by 1.8 percent in the first quarter of 2011 (as per results of the first quarter of 2010, increase in the corresponding index constituted 8.9 percent). According to the preliminary data for January-March 2011, the GDP deflator made 14.0 percent against 2.9 in January-March 2010.

Change in the GDP structure by types of expenses for 2010¹ testifies that the decrease in production volumes was mainly provided by the decrease in gross savings against reduction of investments to the fixed capital.

Table 1.1.1. Real GDP growth rates by types of expenses
(quarter/period against corresponding quarter/period previous year, percent)

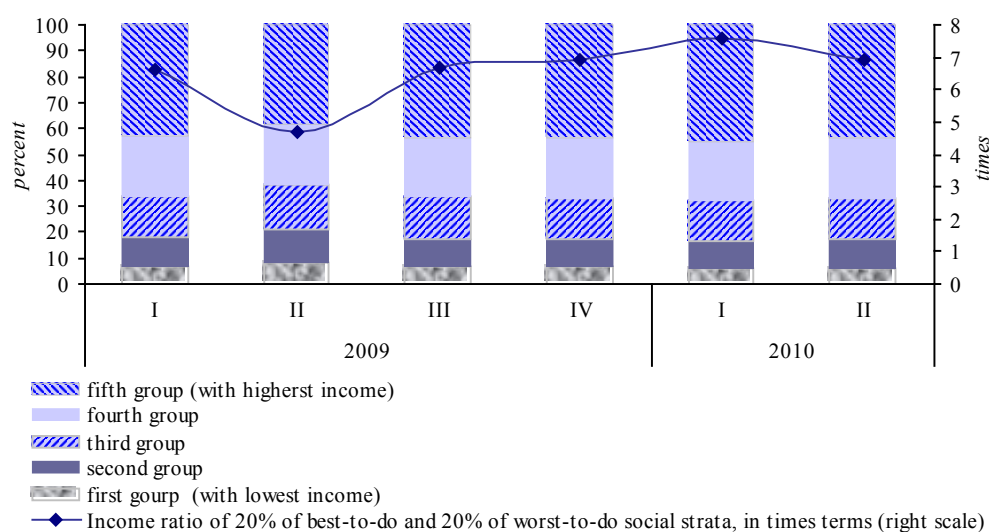
	2009				2009	2010				2010
	I	II	III	IV		I	II	III	IV	
Total	98.6	99.9	104.8	105.2	102.9	116.8	94.8	91.7	98.4	98.6
Final consumption	85.6	78.7	94.1	91.9	88.1	101.8	105.2	104.7	103.5	103.9
Individual consumption	84.6	76.8	93.9	90.1	86.9	101.9	105.6	104.9	103.9	104.1
Households	83.0	73.5	93.4	88.6	85.4	102.1	106.4	105.3	104.4	104.6
NCO servicing households	101.8	99.4	97.8	102.6	100.4	102.7	101.5	101.8	101.9	102.0
Governmental institutions	98.7	101.3	100.4	101.5	100.7	99.8	100.9	101.2	100.2	100.5
Collective consumption	100.1	101.7	97.2	107.6	102.4	100.8	102.0	102.7	101.2	101.7
Gross savings	76.1	89.3	91.6	108.9	95.1	86.1	92.2	85.8	109.6	95.5
Export	109.4	118.6	91.5	87.2	98.9	132.1	78.3	86.9	96.7	95.8
Import	83.7	80.0	78.9	80.7	80.6	100.4	98.6	101.7	104.7	101.6

According to the National Statistics Committee

The differences of personal income have still remained high. Distribution of the overall amount of income among five groups of the population was in favor of the well-to-do groups. Thus, in the first half of 2010, the income share of the best-to-do group accounted for 43.8 percent of the overall volume of personal income, thus having increased by 5.2 p.p. against the comparable indicator of 2009. The income share of 20 percent of the worst-to-do population increased by 2.2 p.p. to make 6.9 percent.

¹ Hereinafter, the reference to earlier periods was conditioned by the lack of data for the first quarter of 2011.

Chart 1.1.1. Structure of Personal Monetary Income by Quintile Groups
(year-to-date)



According to the preliminary data for the first quarter of 2010, there was a considerable increase in remittances of physical entities through money transfer systems. In January-March 2010, the overall volume of net inflow increased by 35.1 percent, whereas in January-March 2009 remittances increased by 30.9 percent as compared to 2009. A major share of remittances came from the CIS countries (94.0 percent from Russia, 1.5 percent from Kazakhstan); the far-abroad countries' remittances accounted for 4.5 percent of the overall volume of individual transfers.

Table 1.1.2. Individual Remittances through Money Transfer Systems
(mln, US dollars)

	2008	2009	2010	Jan-Mar 2010	Jan-Mar 2011**
Balance	1,138.2	893.2	1,124.9	192.2	259.7
Inflow	1,205.5	966.7	1,252.6	211.3	296.4
CIS countries	1,141.4	894.4	1,199.3	198.0	283.0
Kazakhstan	27.9	31.4	35.0	5.5	4.5
Russia	1,113.5	862.9	1,164.3	192.4	278.6
Others	0.1	0.0	0.0	0.0	0.0
Far-abroad countries	64.1	72.3	53.3	13.3	13.4
Belgium	0.5	0.5	0.2	0.1	0.1
Great Britain	1.8	1.4	1.4	0.3	0.4
Germany	0.2	0.7	9.9	1.7	4.7
USA	61.4	69.5	41.7	11.2	8.1
Others	0.2	0.3	0.1	0.0	0.1
Outflow	67.3	73.6	127.6	19.1	36.7
CIS countries	65.0	71.8	125.8	18.6	36.2
Kazakhstan	2.5	0.7	0.4	0.0	0.2
Russia	62.5	71.1	125.4	18.6	36.0
Others	0.0	0.0	0.0	0.0	0.0
Far-abroad countries	2.3	1.8	1.8	0.5	0.5
Belgium	0.1	0.2	0.5	0.1	0.1
Germany	0.4	0.4	0.3	0.0	0.3
USA	1.7	1.1	0.9	0.2	0.2
Others	0.1	0.1	0.2	0.1	0.0

* Anelik, Blizko, Contact, Migom, MoneyGram, Western Union, Unistream, Zolotaya Korona, Lider, Bystraya Pochta, Allyur and other money transfer systems and money transfers through the PE Kyrgyzpochtasy.

** preliminary data.

According to the preliminary data of the Central Treasury of the Ministry of Finance, the surplus of the state budget constituted 2.4 billion KGS or 8.1 percent to GDP in January-February 2011 (in the corresponding period of 2010, the surplus of the state budget was 0.9 billion KGS or 3.4 percent to GDP).

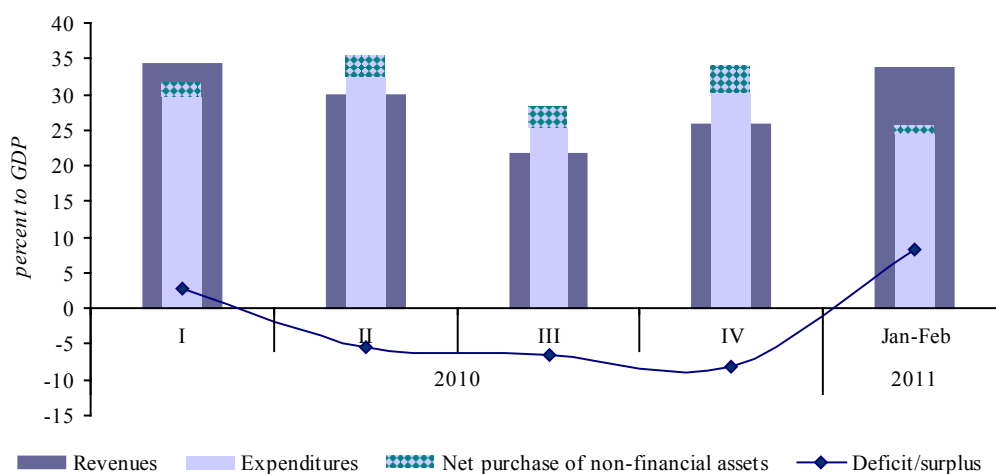
Income and received official transfers of the state budget increased by 23.0 percent as compared to the corresponding index of 2010 and constituted 9.8 billion KGS or 33.6 percent to GDP. At that, tax revenues and non-tax revenues provided contribution to the growth of the state budget from operating activity by 17.5 percent, whereas contribution of official transfers revenues made up 5.5 percent.

In January-February 2011, the overall state budget's expenditures for operational activity amounted to 7.1 billion KGS or 24.5 percent to GDP, thus, having increased by 4.0 percent or 271.7 million KGS as compared to the similar index of 2010. There was the tendency for increase in the budget expenditures for current consumption. For instance, salary expenditures and contributions to the Social Fund of the Kyrgyz Republic as well as for social allowance in January-February 2011 constituted 57.0 percent of the overall volume of the government expenditures for operational activity, thus, having increased by 12.4 p.p. as compared to the similar index of 2010.

In the reporting period, net outflow of cash assets for non-financial assets acquisition operations constituted 287.0 million KGS, which was by 45.6 million KGS or 18.9 percent more in comparison with the corresponding index of 2010.

According to the preliminary data of the Social Fund of the Kyrgyz Republic, in the first quarter of 2011, the surplus of the Social Fund budget constituted 1.3 billion KGS or 2.7 percent to GDP, revenues– 6.2 billion KGS or 13.3 percent to GDP, expenditures – 5.0 billion KGS or 10.7 percent to GDP.

Fig.1.1.2. State budget implementation
(for the period)



According to the preliminary data for January-March 2011, the volume of investment to the fixed capital decreased by 9.8 percent in real terms as compared

to similar indicator of 2010 and constituted 5.3 billion KGS, while as per results of the first quarter of 2010 this indicator decreased by 10.4 percent. The decrease in the volume of investments to the fixed capital in 2011 was conditioned by decrease in assimilated funds in agriculture, production, distribution of electric power, gas and water as well as in the sector of hotels and restaurants, transportation and communication.

Table 1.1.3. Investments to the fixed capital by sources of financing

	Million KGS		Percent to Total	
	Jan-Mar 2010	Jan-Mar 2011	Jan-Mar 2010	Jan-Mar 2011
Total	4,699.5	5,263.9	100.0	100.0
Internal investments	3,863.5	4,287.2	82.2	81.4
Republican budget (including funds intended for emergencies)	101.4	433.9	2.2	8.2
Local budget	50.1	41.7	1.1	0.8
Funds of enterprises and organizations	869.2	1055.3	18.5	20.0
Bank credit	905.3	2.8	19.3	0.1
Personal funds	1,937.50	2,753.50	41.2	52.3
External Investments	836.0	976.7	17.8	18.6
Foreign credit	535.1	187.3	11.4	3.6
Direct foreign investments	230.7	587.4	4.9	11.2
Foreign grants and humanitarian aid	70.2	202	1.5	3.8

Source: NSC

In January-March 2011, in the structure of investment financing sources for the fixed capital formation, there was marked a decrease in investments due to internal sources by 10.6 percent and external sources by 5.9 percent against to the comparable indicators of 2010. In January-March 2011, in the sectoral structure of investments to the fixed capital, the largest share was accounted for the mineral resource industry – 14.6 percent (investments into the enterprises, engaged in development of the gold ore field “Kumtor”), transportation and communication – 9.6 percent (reconstruction of automobile roads “Talas-Taraz-Suusamyr”, “Bishkek-Naryn-Torugart”, “Bishkek-Kordai”, “Osh-Irkeshtam”, “Osh-Isfana”, “Southern Transportation Corridor”; rehabilitation of roads in accordance with the project “Improvement of the Regional Road Corridor”) as well as production and distribution of electric power, gas and water – 7.4 percent.

By the end of the first quarter of 2011, the volume of commercial banks credit portfolio increased by 1.4 percent as compared to the beginning of the current year (by the end of March 2010, the commercial banks credit portfolio increased by 3.2 percent) and made 26.7 billion KGS.

Table 1.1.4. Sectoral Structure of Commercial Banks' Credit Portfolio

	Jan-Mar 2010		Jan-Mar 2011	
	total, <i>mln soms</i>	growth rate, <i>percent</i>	total, <i>mln soms</i>	growth rate, <i>percent</i>
Credit portfolio	26,015.6	103.2	26,749.2	101.4
Trade and commercial transactions	11,099.3	106.1	11,596.6	102.3
Agriculture	3,338.0	108.2	3,605.5	107.6
Industry	1,378.3	99.2	1,517.1	102.5
Mortgage	2,997.0	97.1	2,772.9	97.2
Construction	1,971.7	101.1	1,894.4	92.9
Consumer credits	1,962.8	96.8	1,877.7	99.7
Others	3,268.4	101.6	3,485.0	101.3

By the end of 2010, the credit portfolio of non-financing credit institutions exclusively of assets of the Kyrgyz Republic Development Fund constituted 12.6 billion KGS, having increased by 34.0 percent as compared to the corresponding index of 2009.

Table 1.1.5. Sectoral Structure of the Credit Portfolio of Non-Financing Credit Institutions

	2009		2010	
	total, <i>mln soms</i>	growth rate, <i>percent</i>	total, <i>mln soms</i>	growth rate, <i>percent</i>
Credit portfolio	9,386.1	27.1	12,577.2	34.0
Agriculture	3,729.1	37.1	5,073.0	36.0
Trade and commerce	3,089.6	7.7	3,310.5	7.1
Others	1,237.8	96.2	2,393.3	93.4
Services	475.2	37.1	545.8	14.9
Consumer credits	407.4	37.0	613.3	50.5
Construction and mortgage	211.1	11.8	286.4	35.7
Industry	174.1	3.4	205.8	18.2
Transportation and communication	38.9	-73.2	116.8	200.4
Procurement and processing	23.0	23.4	32.3	40.4

1.1.2. Supply

In January-March 2011, the main contribution into the GDP growth was made by enterprises, engaged in production and distribution of electric energy, gas and water as well as transportation and communication, which compensated certain decrease in production in the sphere of services and processing industry. Moreover, it should be noted that achievement of positive growth rates in the first quarter of 2011 at high base of the first quarter of 2010, may be considered as the sign of the economic activity recovery in the country.

The volume of aggregate supply of goods and services in January-March 2011 was provided by production of the processing industry (by 22.8 percent), trade (by 16.9 percent), transportation and communication (by 10.3 percent), agriculture (by 8.8 percent out of the total GDP volume).

Table 1.1.6. Contribution of Individual Activities to GDP Increase/Decrease

	Jan-Mar 2010		Jan-Mar 2011	
	growth rate, percent	contr. to growth, p.p.	growth rate, percent	contr. to growth, p.p.
Gross domestic product	16.8	16.8	0.4	0.4
Gross value added	16.8	14.6	0.4	0.4
Agriculture, hunt and forestry	2.1	0.2	0.5	0.0
Mining industry	-5.3	0.0	26.6	0.1
Processing industry	105.5	13.5	-6.0	-1.3
Production and distribution of e/energy, gas and water	16.4	0.6	27.3	1.4
Construction	2.7	0.1	-11.8	-0.4
Trade, repairs	0.9	0.2	-4.2	-0.7
Hotels and restaurants	2.5	0.0	-7.0	-0.1
Transport and communication	1.5	0.2	8.3	0.9
Financial activity	2.1	0.0	3.9	0.0
Real estate operations, lease	-3.7	-0.2	2.7	0.1
State management	0.8	0.0	2.6	0.1
Education	0.7	0.0	2.0	0.1
Healthcare and provision of social services	0.7	0.0	1.0	0.0
Provision of the public utility and personal services	-3.4	-0.1	1.1	0.0
Net taxes for products	16.8	2.2	0.4	0.0

Source: NSC

According to the preliminary data for the first quarter of 2011, the industrial output increased by 0.8 percent against the comparable indicator for 2010 (in January-March 2010, the industrial production output increased by 82.6 percent); exclusively of the enterprises engaged in development of the gold ore field "Kumtor", the growth of industrial output made 7.8 percent (at that the corresponding index of 2010 increased by 44.6 percent). The dynamics of the industrial production development indices testify about decrease in enterprises engaged in development of the gold ore field "Kumtor", which in turn was provided by production planning.

In agriculture, there was registered an increase in production at the level of 0.5 percent (in January-March 2010, the volume of agricultural production increased by 2.1 percent).

The sphere of services has not recovered yet up to the pre-crisis level. Thus, according to preliminary data, there was registered a decrease in the volume of trade operations by 3.6 percent as compared to growth of the corresponding index in January-March 2010 by 0.6 percent. There was a decrease in retail trade turnover by 5.4 percent.

Table 1.1.7. Dynamic and Structure of the Gross Turnover of Trade Transactions

	Jan-Mar 2010		Jan-Mar 2011	
	share, percent	growth rate, percent	share, percent	growth rate, percent
Trade	100.0	100.6	100.0	96.4
Sales of auto and moto machinery and details	3.7	99.8	3.2	96.6
Maintenance and repairs of auto	0.6	110.9	0.5	108.4
Retail sales of motor-fuel	8.8	96.8	9.9	106.1
Wholesale	30.5	100.5	30.5	96.7
Retail sale	56.3	101.2	55.7	94.6
Repair of household goods	0.2	92.2	0.2	83.1

Source: NSC

1.2. Trends in Monetary Sphere

Monetary Base

As of April 1, 2011, the monetary base decreased by 7.2 percent in the first quarter of 2011 (in the first quarter of 2010 the decrease in monetary base constituted 4.2 percent) to make 45.1 billion KGS. As of April 1, 2011, the monetary base on an annualized basis increased by 14.6 percent.

In the first quarter of 2011, the monetary base change (-3.5 billion KGS) was mainly affected by operations of the National Bank of the Kyrgyz Republic, which decreased the monetary base by 4.3 billion KGS, whereas operations of the Government increased the monetary base by 0.8 billion KGS. For comparison: in the corresponding period of 2010, the monetary base decreased by 1.7 billion KGS, at that operations of the National Bank of the Kyrgyz Republic decreased the monetary base by 2.1 billion KGS and contribution of the Government into the monetary base growth made about 0.4 billion KGS.

As of April 1, 2011, money in circulation constituted 40.8 billion KGS, having decreased by 5.6 percent in the reporting period (in the corresponding period of 2010, the decrease constituted 3.4 percent). The increase in money in circulation on an annualized basis made 18.4 percent as of April 1, 2011.

As per results of the first quarter of 2011, in the monetary base structure there was increase in the share of cash in circulation from 89.1 percent as of the beginning of 2011 to 90.5 percent as of the end of March 2011, correspondingly the share of funds on correspondent accounts of commercial banks in the National Bank of the Kyrgyz Republic decreased from 10.9 to 9.5 percent.

Aggregate M2

As of April 1, 2011, the money stock M2 (M0 + deposits in the national currency) constituted 51.2 billion KGS, having decreased in the reporting period by 4.8 percent (in the first quarter of 2010, the money stock M2 decreased by 1.7 percent). Also, components of the monetary aggregate M2 changed: 5.9 percent decrease for money outside banks (M0), 1.1 percent decrease for deposits in the national currency, including transferrable deposits (on demand deposits) which

decreased by 3.7 percent; whereas other deposits (fixed deposits) increased by 5.1 percent.

As of April 1, 2011, the growth of the money stock M2 constituted 19.6 percent on an annualized basis.

Aggregate M2X

As of April 1, 2011, the volume of broad money M2X (M2 + deposits in foreign currency) constituted 66.6 billion KGS, having decreased by 3.7 percent in the first quarter of 2011 (in the corresponding period of 2010, the decrease in M2X constituted 1.4 percent). At that, the overall volume of deposits¹, included into the definition of broad money M2X, also decreased by 0.4 percent, including deposits in the national currency (decrease by 1.1 percent), whereas deposits in foreign currency increased by 0.2 percent (in the corresponding period of 2010, the overall volume of deposits increased by 2.3 percent, and money outside banks decreased by 3.9 percent).

As of April 1, 2011, the volume of broad money M2X increased by 18.3 percent on an annualized basis.

In the first quarter of 2011, the structure of money stock M2X changed in the following way:

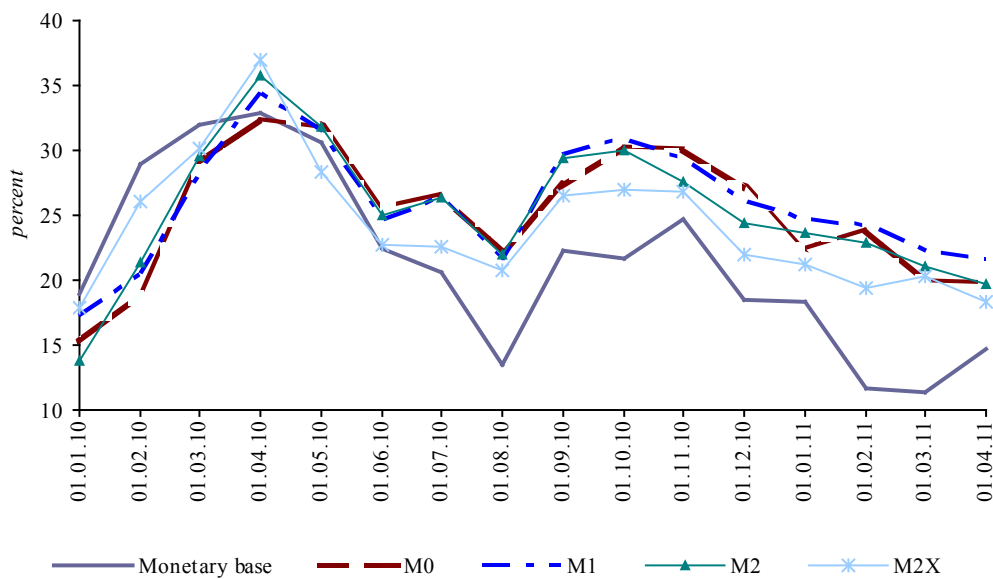
- the share of money outside banks decreased from 59.9 to 58.5 percent;
- the share of deposits in the national currency increased from 17.7 to 18.2 percent;
- the share of deposits in foreign currency increased from 22.3 to 23.2 percent.

In the first quarter of 2011, the multiplier of broad money M2X, which characterizes a degree of financial intermediation, increased from 1.424 as of the beginning of 2011 to 1.477 as of the end of March 2011 (1.431 as of the end of March 2011).

In the first quarter of 2011, velocity of broad money M2X circulation decreased from 3.6 as of the beginning of the year to 3.5 as of the end of March 2011 (as of the end of March 2010 – 4.1). At the same time, the reverse indicator of circulation velocity – monetization coefficient of the economy calculated on the basis of the monetary aggregate M2X – increased from 27.9 percent as of the beginning of the year to 28.4 percent as of the end of March 2011 (as of the end of March 2010 – 24.2 percent).

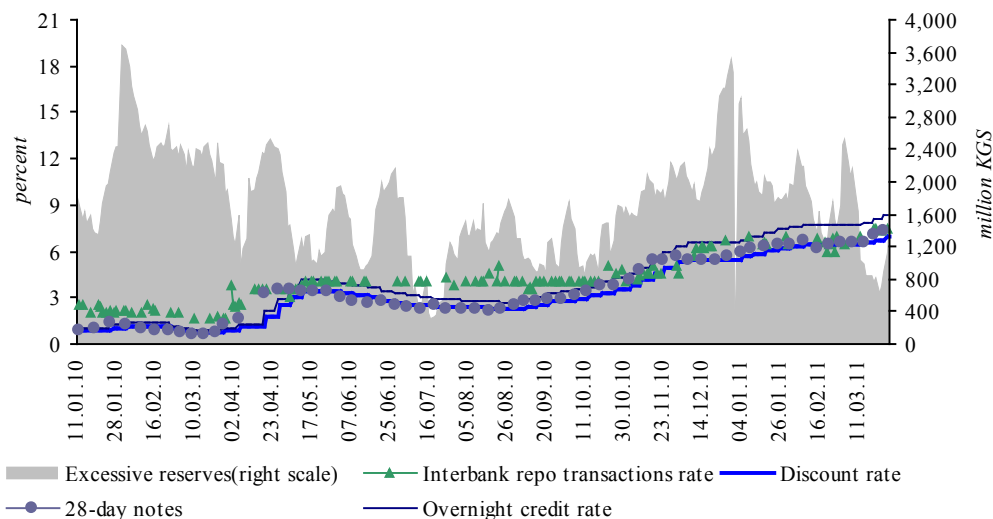
¹ According to analytical balance, the banking system includes individual and legal entities' deposits as well as deposits of other financial institutions except for the Government's and non-residents' deposits.

Fig.1.2.1. Annual Nominal Growth Rates of Monetary Aggregates



In the first quarter of 2011, situation in the financial market was developed under the influence of excess reserves fluctuations in commercial banks and increasing inflation level. During the reporting quarter, the excess reserves level in banks was decreasing, which provided low demand for government securities. However, activity was not high in the inter-bank market of credit resources and the borrowed resources rates were increasing.

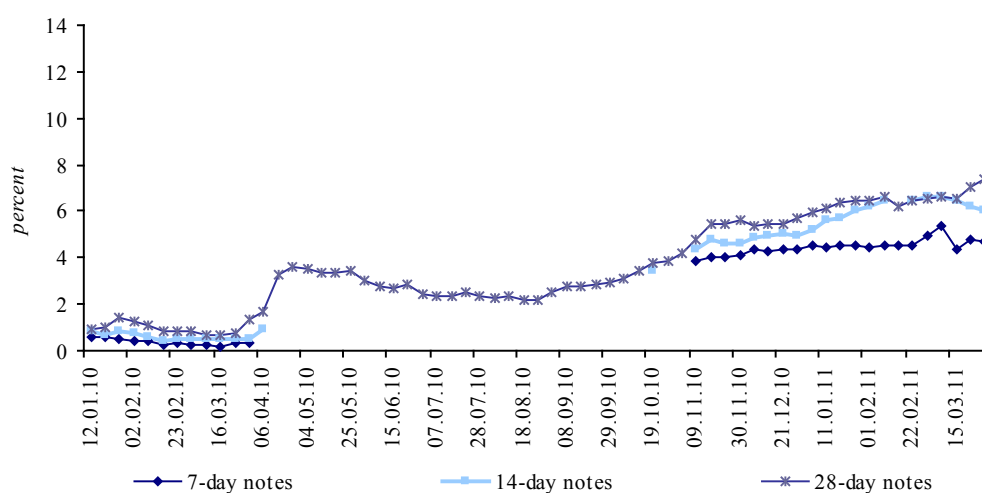
Fig. 1.2.2. Dynamics of Monetary Market Rates



In the first quarter of 2011, the National Bank of the Kyrgyz Republic increased the supply of 7-, 14- and 28 day notes to influence on the monetary component of inflation. In turn, the demand for notes was quite low and did not reach the volume of the supplied securities. Insufficient activity of banks was caused by considerable fluctuation of the liquidity level. As a result, profitability of notes was increasing during the reporting period. Average profitability of 7-day notes increased by 0.4 percentage points as compared to profitability rate of

the fourth quarter of 2010 and constituted 4.6 percent; profitability of 14-day notes increased by 1.8 percentage points up to 6.1 percent, in the 28-day notes' segment profitability increased by 1.7 percentage points, making up 6.5 percent. In comparison with the corresponding period of 2010, profitability rate of 7-day notes increased by 4.2 percentage point, 14-day notes – by 5.5 percentage points and 28-day notes – also by 5.5 percentage points.

Fig. 1.2.3. Dynamic of the NBKR Notes Profitability Rate



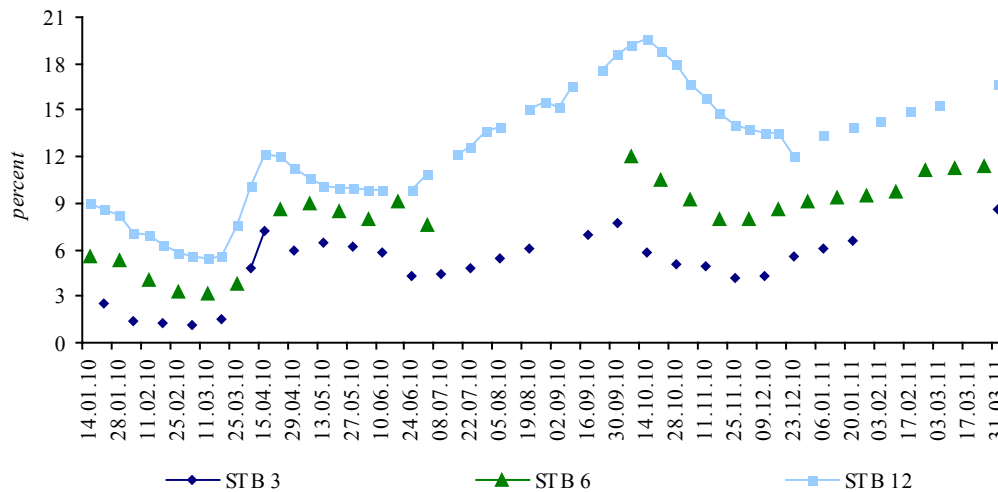
A discount rate, determining as an averaged value of the NBKR 28-day notes profitability, developed at the last four auctions, made 6.9 percent as of the end of March, having increased by 1.4 percentage points from the beginning of the year. Correspondingly, the rate for overnight credits also increased and amounted to 8.3 percent by the end of the reporting quarter, and the volume of issued overnight credits to the commercial banks constituted 290.0 million KGS applying the average rate of 7.9 percent.

In January-February 2011, there were two auctions arranged for allocation of the STBonds, the supply volume of which was decreased to 117.0 million KGS due to low demand. In both auctions, the number of investors did not exceed three investors, and the volume of submitted applications was much lower than the announced sales volume. This provided increase in profitability of securities from 18.9 percent in the previous quarter to 19.1 percent in the reporting quarter. In comparison with the corresponding period of 2010, profitability of STBonds increased by 7.1 percentage points.

In the STBills primary market, the Ministry of Finance increased supply of bills against growing demands of the budget and absence of the demand for STBills. However, demand for STBills was low, which affected their profitability rate growth. Afterwards, the emitter decreased supply in some periods, and the results of some auctions were acknowledged as invalid due to inacceptability of the proposed prices for STBills. The STBills' overall weighted average profitability in the reporting period was higher in comparison with that of the previous quarter by 0.4 percentage points and constituted 13.4 percent: profitability

of 3-month STBills increased by 2.4 percentage points and constituted 7.5 percent; profitability of 6-month STBills increased by 1.1 percentage points and constituted 10.5 percent; whereas, weighted average profitability of 12-month STBills decreased by 1.1 percentage points and constituted 14.8 percent. In comparison with profitability rate of the first quarter of 2010, the overall level of STBills profitability increased by 7.5 percentage points, at that growth was noted in all segments of the market.

Fig. 1.2.4. Dynamic of STBonds Profitability Rate



In the inter-bank market of credit resources, the demand was low despite decrease in the liquidity rate in banks. However, reduction in liquidity was registered only in individual banks, which actively used instruments on provision of short-term liquidity of the National Bank of the Kyrgyz Republic.

The overall volume of KGS loans in the inter-bank market of credit resources constituted 972.8 million KGS, having decreased by 34.8 percent as compared to the corresponding index of the fourth quarter of 2010. Considerable share of bargains was concluded in the segment of REPO-transactions; the rates of which were growing under the influence of increase in rates in other segments of the financial market. The overall volume of REPO-transactions in the first quarter of 2011 constituted 972.8 million KGS, having decreased by 34.8 percent in comparison with that of the previous quarter. The volume of traditional credit transactions in KGS constituted 78.0 million KGS, having decreased by 64.9 percent. The weighted average interest rate for REPO-transactions increased by 1.8 percentage points and constituted 6.8 percent; whereas that of credit transactions increased by 1.9 percentage points and constituted 7.0 percent. In comparison with the weighted average interest rate in the corresponding quarter of 2010, the rate for REPO-transactions increased by 4.7 percentage points. Credit transactions in the national currency were not performed in the reporting period.

In the segment of transactions in foreign currency of the domestic inter-bank credit market, the volume of transactions amounted to 48.4 million KGS at the rate of 1.0 percent.

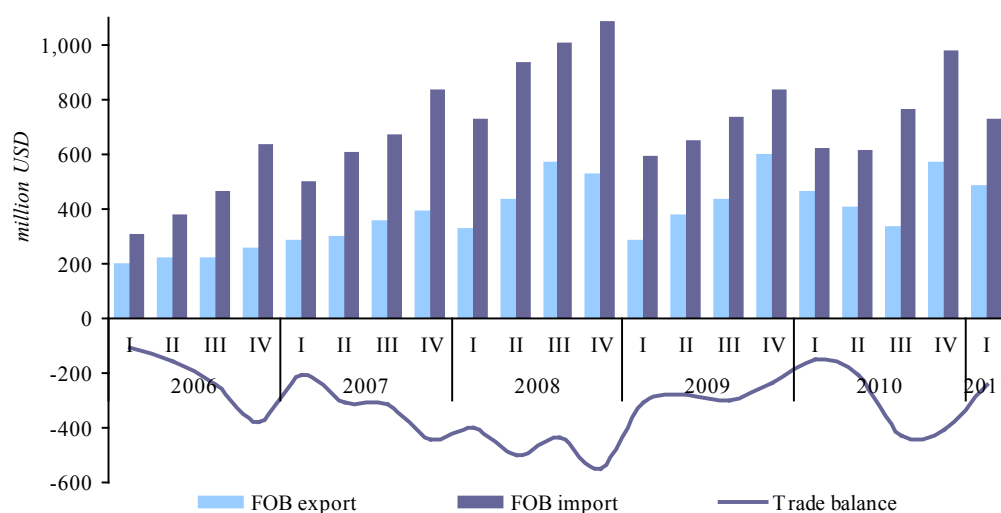
1.3. External Economic Conditions

Trade Balance¹

According to the preliminary data, the deficit of trade balance of the Kyrgyz Republic in the first quarter of 2011 increased by 58.5 percent as compared to the index of the first quarter of 2010 and constituted 241.6 million USD.

In the reporting period, the foreign trade turnover increased by 11.9 percent as compared to the corresponding period of 2010 and constituted 1 214.9 million USD. The growth dynamics of trade relations of the Kyrgyz Republic with the CIS and non-CIS countries was equal; at that, the ratio of their shares in the total volume of foreign trade operations constituted 44.4 and 56.6 percent correspondingly.

Fig. 1.3.1. Foreign Trade



In the first quarter of 2011, the export of goods (in FOB prices) constituted 486.7 million USD, having decreased by 4.2 percent in comparison with the first quarter of 2010. The developed tendency was mainly provided by increase in export supplies to the CIS countries by 22.1 percent or by 27.7 million USD, whereas export supplies to non-CIS countries decreased by 2.3 percent or by 7.9 million USD. At that, export (exclusively of the gold) decreased by 9.6 percent and constituted 205.3 million USD.

In the reporting period, the shares of main groups of the exported goods² were as follows: intermediate goods constituted 71.4 percent out of the total volume of export; consumer goods – 18.6 percent; energy products – 6.1 percent; raw stock and investment goods – 2.1 and 1.8 percent correspondingly.

In the reporting period, export of intermediate goods reached the volume of 313.8 million USD, having increased by 21.3 percent. Gold has traditionally been the main component of this item; its export volumes increased by 17.3 percent and

¹ According to NSC KR and SCS KR, with regard to final evaluations of NBKR, unless otherwise is provided

² Hereinafter according to NSC KR and SCS KR, without regard to NBKR final evaluations.

constituted 281.3 million USD. Increase in supplies of gold is explained by growth of the export price by 36.3 percent; at that, there was decrease in the physical volume of supplies by 14.0 percent.

Exports of consumer goods increased by 33.1 percent and constituted 81.7 million USD. The major contribution to the increase in exports within this item was made by the supplies of food products, which volume increased by 64.3 percent or by 16.4 million USD. Primarily, this was related to 75.4 percent increase (18.2 million USD) in export of vegetables, which was conditioned by considerable growth of physical volume of supplies at decrease in the export price. Also, as a result of increase in physical volume of supplies and growth of export prices, there was increase in export of fruits (in 2.3 times or by 1.7 million USD).

In the non-food products structure, the exports growth was observed for such commodity headings as clothes and clothes accessories (by 13.1 percent or by 2.9 million USD) and automobiles (in 2.7 times or by 0.6 million USD), mainly due to increase in the physical volume of supplies.

In the first quarter of 2011, export of energy products increased by 10.1 percent and constituted 26.7 million USD. In the main commodity classification of energy products' exports the growth was marked for re-export of jet fuel (by 10.1 percent or by 1.2 million USD).

Moreover, more considerable increase in physical volume of supplies against decrease in prices provided growth of the cost volume of electric energy export volume by 57.0 percent or by 1.2 million USD.

Raw stock export decreased by 86.5 percent and constituted 9.4 million USD. The share of this category in the overall export volume considerably decreased by 14.5 percentage points and constituted 2.1 percent. This is explained by termination of supplies of non-organic chemical substances in the reporting period, whereas in the corresponding period of 2010, the supplies volume of this commodity heading constituted about 88.0 percent out of the total raw stock export. The decrease was partially compensated by increase in supplies of cotton (in two times or by 2.2 million USD) and cowhide (in 4.1 times or by 1.3 million USD).

In the first quarter of 2011, in geographic structure of goods exports, the largest share of export was accounted for the group of non-CIS countries (74.6 percent of the total export). As before, the major partner in this group was Switzerland (32.9 percent). Herewith, there was marked a change of the positions of such countries as the UAE and the USA. The UAE share accounted for 332.3 percent in the overall volume of exports against 50.7 percent in the first quarter of 2010; this was explained by a considerable decrease in supplies of gold to this country. The USA share decreased from 11.3 to 0.03 percent as a result of termination of supplies of chemical substances.

During the reporting period, the share of the CIS countries accounted for 25.4

percent of the total volume of exports. In the first quarter of 2011, the volume of exports to the Customs Union member-countries increased by 32.1 percent or by 22.0 million USD in absolute terms. Russia and Kazakhstan were the major consumers of the Kyrgyz exports.

Imports of goods¹ in FOB prices increased by 17.6 percent in the first quarter of 2011 and amounted to 728.3 million USD. Imports from non-CIS countries increased to a greater extent (by 30.3 percent), while the growth of imports from the CIS countries amounted to 8.3 percent.

Pursuant to the functional structure², as per results of the first quarter of 2011, the largest commodity headings in import transactions were the consumer goods (37.2 percent of the total volume of imports), energy products (24.3 percent) and intermediate goods (21.2 percent).

In the reporting period import of consumer goods increased by 27.1 percent and reached 293.0 million USD. Herewith, there was marked the 20.4 percent growth of consumer goods, whereas the inflow of non-food products increased by 32.3 percent.

In the structure of food products, as a result of increase both in the physical volume of supplies and in import prices, there was growth of sugar import in value terms (by 20.3 percent or by 3.0 million USD). Moreover, vegetable oil import supplies increased mainly due to growth of prices (by 12.9 percent or by 1.0 million USD). With that, more considerable decrease in physical volume against growth of prices provided reduction of the cost volume of fruits import (by 41.5 percent or by 3.9 million USD), rice (by 43.6 percent or by 1.3 million USD).

In the structure of non-food products, import of medicaments increased almost in two times (by 20.5 million USD). Moreover, due to growth of prices, import of essential oils increased by 10.0 percent or by 1.3 million USD. Moreover, there was decrease in the cost volume of import of automobiles by 42.2 percent or by 1.7 million USD and bed-clothes by 78.0 percent or by 1.7 million USD.

In the reporting period, import of energy products decreased by 0.8 percent and constituted 191.6 million USD. More than 70 percent of energy products import was accounted for import of oil-product, the volume of which decreased by 14.7 percent in the reporting period as compared to the corresponding period of 2010. This was mainly provided by decrease in the physical volume of supplies by 37.7 percent, at that there was increase in prices by 36.9 percent. As a result of reduction of physical volume of supplies, the cost volume of import of aviation kerosene and diesel fuel decreased and the volume of automobile gasoline supplies on the contrary inconsiderably increased. More considerable reduction of the physical volume of natural gas supplies against growth of its import prices

¹ CIF imports made USD 788.4 million, while deficit of trade balance amounted to USD 301.7 million

² Hereinafter in CIF prices, according to NSC KR and STS KR, without regard to NBKR final evaluations.

provided decrease in value terms (by 17.1 percent or by 3.5 million USD).

As for intermediate goods, the import volume constituted 167.3 million USD, having increased by 25.0 percent in comparison with the corresponding period of 2010. Under the influence of price and quantitative factors, import of fertilizers increased by 38.7 percent or by 3.0 million USD. Also, due to growth of prices in almost two times, there was increase in the volume of rubber tires import by 30.5 percent or by 2.4 million USD.

Decrease in the physical volume of supplies as well as reduction of import prices provided decrease in import of paper (by 25.5 percent or by 1.4 million USD) and coloring and tanning substances (by 53.8 percent or by 1.5 million USD). Moreover, due to reduction of the physical volume of supplies, the volumes of crude iron and steel import also decreased by 12.5 percent or by 2.8 million USD, fabrics import (by 14.2 percent or by 1.2 million USD) and plastic materials import (by 31.4 percent or by 1.2 million USD).

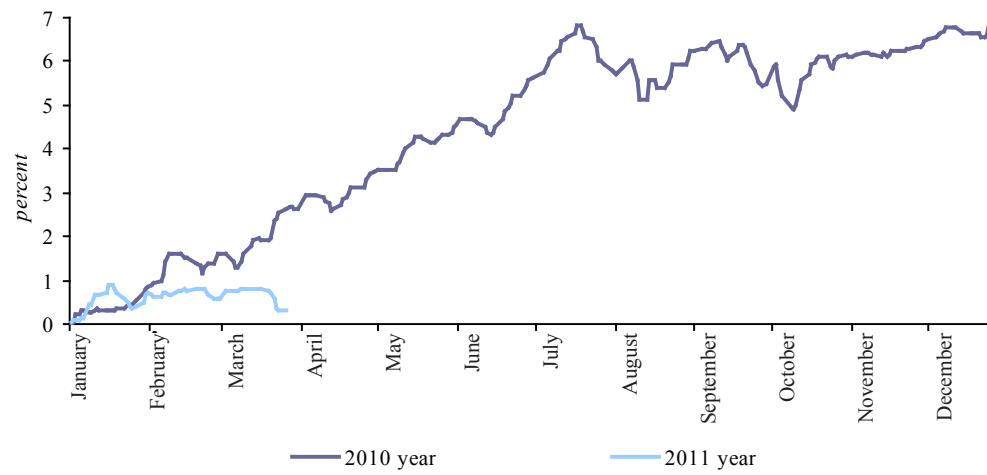
In accordance with geographic structure, the major share of import fell within the CIS countries (52.5 percent). The share of non-CIS countries correspondingly accounted for 47.5 percent. Imports from the Customs Union countries decreased by 1.9 percent or by 6.5 million USD. Kyrgyzstan's key partners for imports transactions were Russia (26.1 percent of the total imports), China (16.6 percent), Kazakhstan (10.8 percent), and the USA (9.7 percent).

1.4. Exchange Rate

In the first quarter of 2011, the USD exchange rate growth in the domestic foreign exchange market was slowed. This was provided by certain decrease in time gaps in export-import settlements of banks' clients as well as by increase in the currency supply on the part of individual banks, which suffered lack of KGS liquidity. Moreover, in first two months of the reporting quarter, the National Bank of the Kyrgyz Republic actively participated in the market as USD seller; as a result of such interventions, the currency remains in banks increased. So, in March, there was decrease in the USD exchange rate by 0.5 percent.

In the reporting quarter, the volume of NBKR transactions on USD sale increased by 7.3 percent and constituted 62.5 million USD. Transactions on USD purchase were not performed. As compared to the corresponding quarter of 2010, the volume of NBKR transactions on the currency sale increased by 15.3 percent.

As of the end of March, the USD official rate constituted 47.2448 KGS/USD, having increased by 0.3 percent from the beginning of the year (as per results of the first quarter of 2010, the USD official rate increased by 2.6 percent).

Fig. 1.4.1. Rates of Change of an Official Rate of US dollar

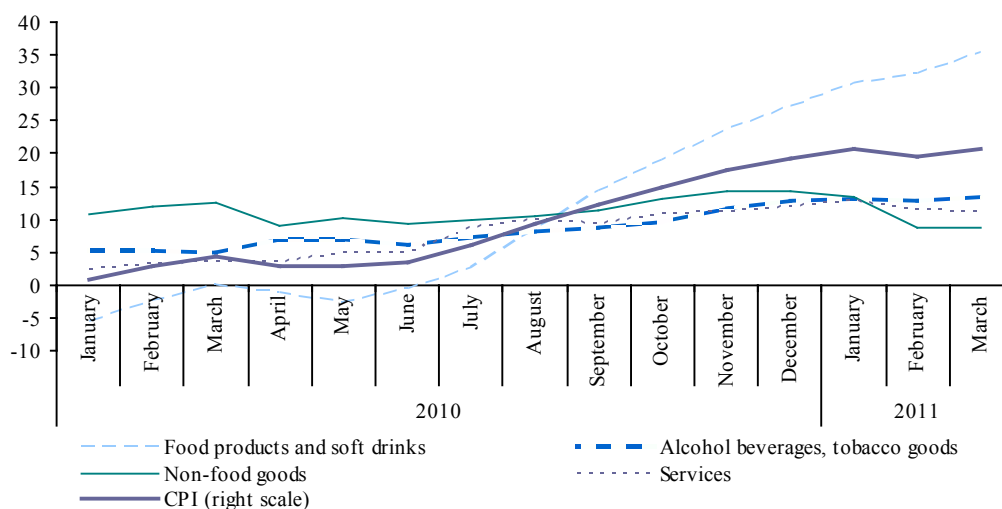
Chapter 2. Inflation and Its Components

2.1. Analysis of the Consumer Price Index Dynamics¹

Annual CPI inflation (March 2011 against March 2010) reached 20.8 percent, whereas for the comparable period of 2010 it was 4.3 percent. The highest growth of the consumer price index was marked for food products and soft drinks. In annual terms this group of goods went up in price by 35.3 percent. There was also an increase in prices for non-food products (8.8 percent); for alcoholic beverages and tobacco goods (13.5 percent) and for paid services (11.1 percent).

The developed dynamics of prices was determined by low satisfaction of the domestic market with industrial and agricultural production both in the republic and in the countries – main trade partners (for instance, grain crops, oil-bearing crops etc).

Fig. 2.1.1. Annual Dynamic of CPI and Its Components



In the first quarter of 2011, the consumer price index constituted 106.4 percent (in the first quarter of 2010 – 104.8 percent), including: the consumer price index for food products constituted 112.2 percent, for alcohol beverages and tobacco products – 101.2 percent, for non-food products – 101.5 percent and for paid services – 102.1 percent.

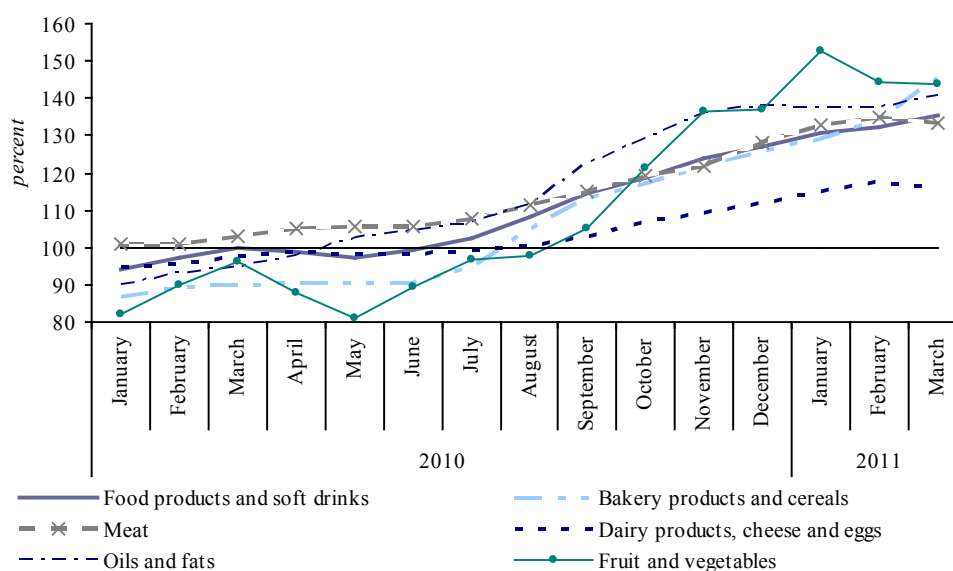
2.1.1. Dynamics of Prices for Food Products

Price situation in the domestic market was characterized, as a whole, by the uptrend. The prices of food products increased by 27.0 percent in 2010 (in 2009 there was the 7.4 percent decrease in price). As per results of March 2011, prices for food products on an annualized basis increased by 35.3 percent (in the corresponding period of 2010, the prices on an annualized basis remained unchanged). Poor harvest in the republic and in large manufacturing countries, which gave rise to domestic and import prices, still had cause pressure on the cost

¹ According to the National Statistics Committee of the Kyrgyz Republic data.

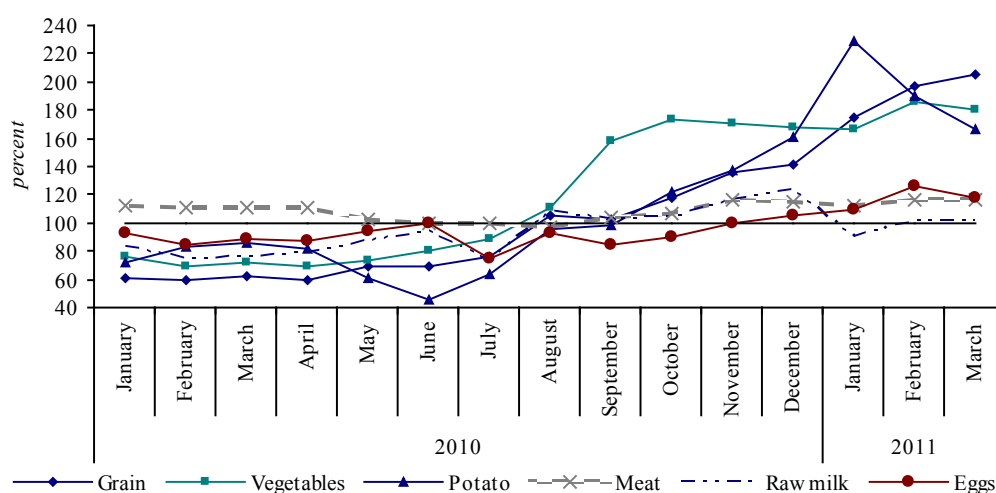
of wheat and wheat products in the domestic market. Thus, the commodity group “bakery products and cereals” got up by 45.2 percent: light wheat flour got up by 79.8 percent. Prices for dairy products got up by 15.8 percent and for fruit-and-vegetable production – by 43.6 percent.

Fig. 2.1.2. Annual Dynamics of Prices for Food Products



In the first quarter of 2011, there was increase in prices of agricultural production manufacturers for all types of products as compared to the corresponding index of the previous year. Thus, manufacturers prices for grain increased by 104.9 percent on an annualized basis, for vegetables – by 79.6 percent, for meat (in live weight) – by 16.5 percent, for dairy products – by 0.9 percent.

Fig. 2.1.3. Annual Dynamics of Producer Price Index for Agricultural Products



As per results of the first quarter of 2011, there was the price dynamics, characteristic for this period: fruits got up in prices by 4.8 percent and vegetables got up in prices by 33.6 percent. On an annualized basis, the commodity group “fruits and vegetables” got up in prices by 43.6 percent: prices for fruits increased by 38.4 percent, for vegetables – by 45.1 percent.

All over the republic, there was increase in prices for sugar, which was provided by insufficient satisfaction of the demand by domestic production (according to the Ministry of Agriculture of the Kyrgyz Republic, Kyrgyzstan is provided with sugar by 73 percent). Thus, in the first quarter of 2011, the prices for sugar increased by 15.2 percent; on an annualized basis, this product got up in prices by 19.3 percent.

As per results of March 2011, the prices for meat production increased by 33.3 percent. High prices for meat are explained by shady export of meat production, cattle mortality at the beginning December 2010 in Naryn oblast, caused by heavy snowfall, growth of prices for fodders as well as artificial overpricing on the part of intermediaries.

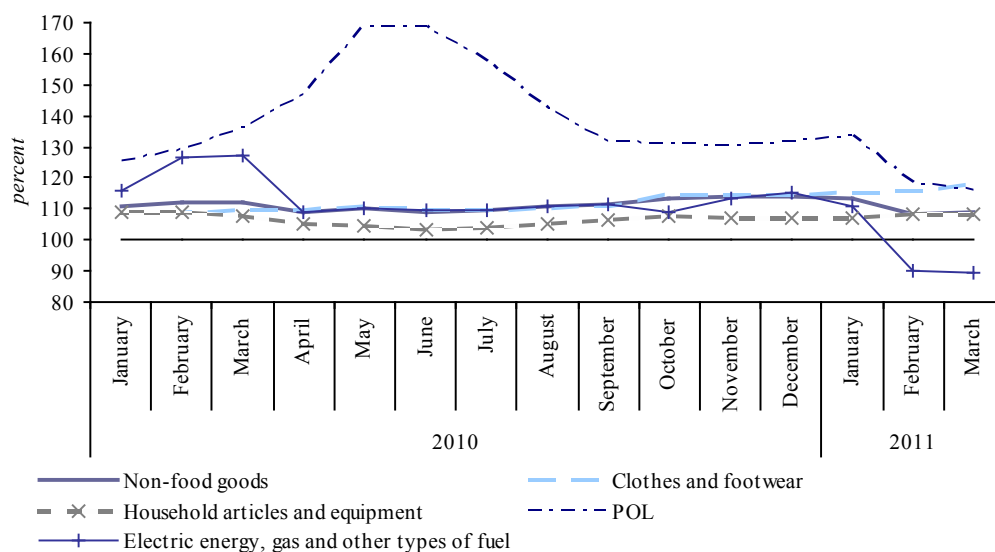
High dependence on import, poor harvest of oil-bearing crops in Russia and prolongation of the ban for vegetable oil exportation from Kazakhstan still force domestic prices to get up in the market of oils and fats. Thus, as per results of March 2011, the annual growth of prices in the group “oils and fast” constituted 40.4 percent.

In the first quarter of 2011, due to seasonal factors, there was inconsiderable increase in consumer prices for dairy products, which constituted 2.6 percent. On an annualized basis, the prices for dairy products increased by 15.8 percent.

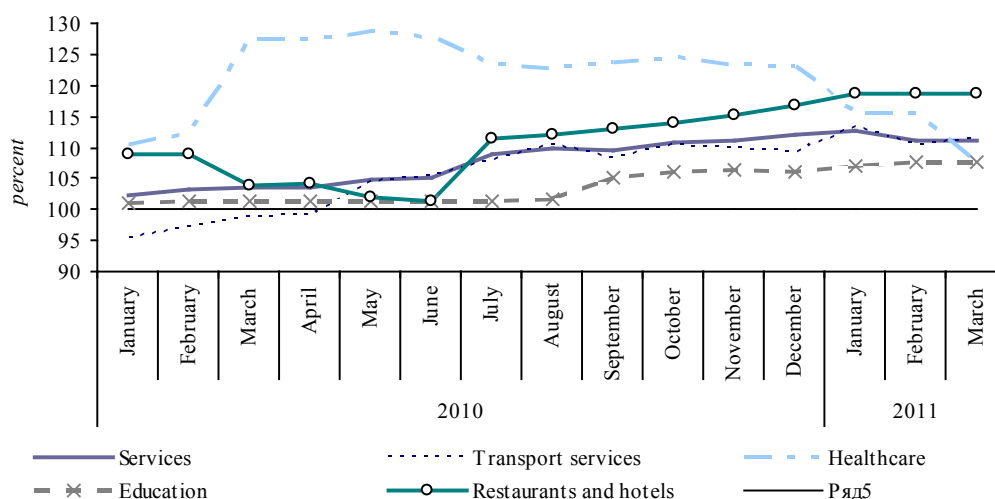
2.1.2. Dynamics of Prices for Non-Foods

The growth of price index for non-food products made 8.8 percent in annual terms and was by 3.6 p.p. lower than the corresponding index of 2010. Thus, prices for clothes and footwear increased by 17.6 percent, mainly due to appreciation of cleaning, repair and renting of clothes by 26.0 percent and footwear repair by 30.1 percent. There was decrease in prices for housing services, which went down in value by 7.8 percent during the year.

Decrease in rates for electric energy, gas and other types of fuel (by 10.7 percent on an annualized basis) was determining for the price dynamics in this commodity group. There was increase in prices for domestic appliances and household goods, which constituted 8.2 percent. The main reason for such dynamics was appreciation of glassware, flatware by 12.2 percent as well as household textile goods by 7.6 percent. Prices for fuels and lubricants on an annualized basis increased by 16.1 percent: prices for gasoline increased by 14.9 percent, for diesel fuel – by 29.6 percent. There was price growth retardation in this commodity group due to duty free importation of oil products from Russia and Kazakhstan.

Fig. 2.1.4. Annual Dynamic of Prices for Non-Food Products**2.1.3. Dynamics of Prices for Services**

Index of prices for paid services in the reporting period increased by 11.1 percent on an annualized basis (in the corresponding period of 2010 – 3.6 percent). Growth of index in this commodity group was mainly provided by appreciation of services of restraints and hotels by 18.7 percent, which was related to appreciation of food products, transportation services (+11.4 percent) and leisure services (+20.3 percent). There was also increase in the cost of healthcare and education services by 7.7 and 7.6 percent correspondingly.

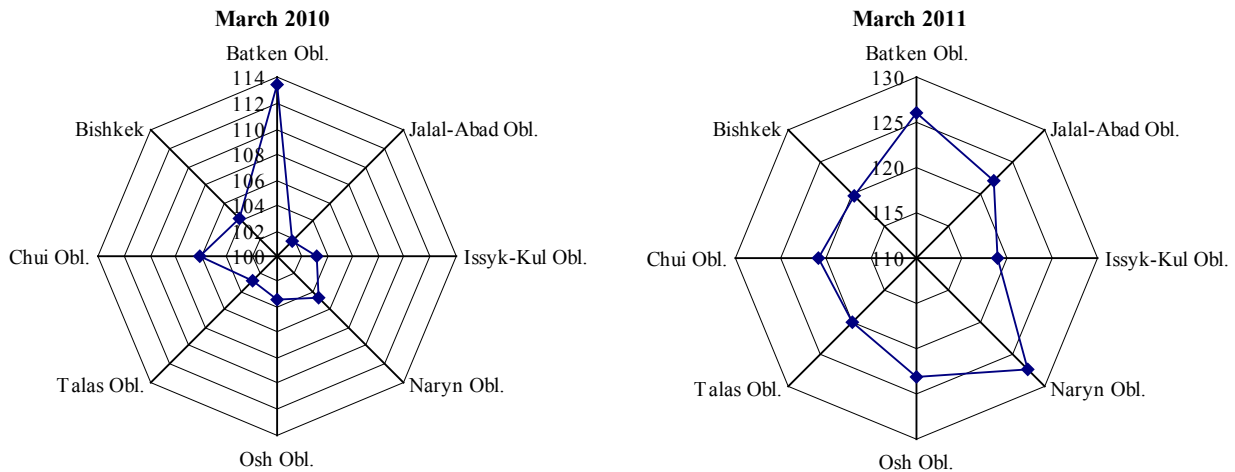
Fig. 2.1.5. Annual Dynamic of Prices for Paid Services**2.1.4. Consumer Price Dynamics in Regions**

As per results of March 2011, there was continuing growth of the overall level of consumer prices in all oblasts of the republic. In the majority of oblasts, the inflation rate on annualized basis varied in the range of 17-27 percent. Thus, in Batken oblast, prices increased by 26.6 percent, in Naryn oblast – by 26.7 percent, in Osh oblast – by 23.2 percent, in Jalal-Abad oblast and Chui oblast – by 22.0 and 21.0 percent correspondingly. In Issyk-Kul and Talas oblast, the

prices increased by 18.8 and 17.6 percent correspondingly. The main factor, causing increase in the level of prices, was the growth of prices for food products and non-food products.

In the capital of the republic, there was increase in prices by 18.8 percent; food products appreciated by 30.5 percent, alcohol beverages and tobacco products – by 15.3 percent, non-food products – by 9.4 percent and paid services – by 9.3 percent.

Fig. 2.1.6. Annual Dynamics of CPI in Oblasts



2.2. Core Inflation

Core inflation is determined as the trend of inflation excluding short-term, structural, and seasonal changes in prices. That means that growth of prices of goods, caused by the seasonal or external factors such, as poor harvest, a price shock in the market of petroleum products, administrative changes in gas and electricity tariffs are removed from the calculation of the rate of inflation.

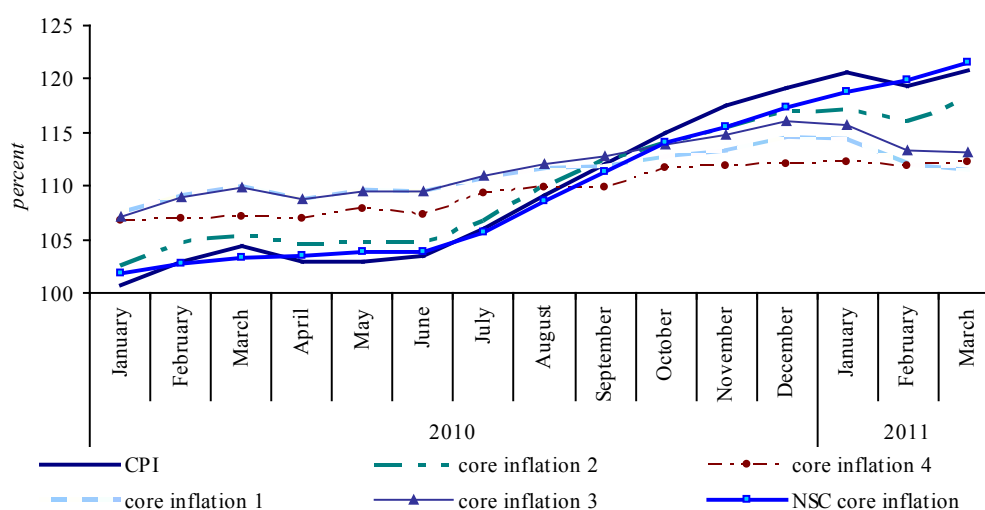
Dynamics of core inflation, calculated by means of the method of simple exclusions, is described below. This method implies the removal of categories or the whole group of goods and services, highly sensitive to shocks, from CPI. Traditionally, such goods comprise some food products, energy resources and the tariffs, administratively established by the Government.

Since April 2010 the National Statistics Committee of the Kyrgyz Republic has started calculation of the core inflation using the simple exclusions method (according to the approved methodology No. 9 dated April 29, 2010). During calculation the following goods are excluded: milk, sugar, some types of vegetables-and-fruits and alcohol-tobacco production, fuels and lubricants, commodity group “electric energy, gas and other types of fuel”, passenger transportation services, communication and others. On the whole, the share of excluded goods accounts for 25 percent of the total consumer goods basket.

According to the approach of the National Statistics Committee of the Kyrgyz

Republic, as per results of March 2011, the core inflation in annual terms amounted to 21.5 percent, whereas the ‘uncleaned’ inflation made 20.8 percent.

Fig. 2.2.1. Annual Dynamic of Estimate Indicator for Core Inflation



Core Inflation 1 – types of goods to be excluded: (1) bakery products and cereals, (2) oils and fats, (3) fruit and vegetable, (4) gas, (5) repair and construction materials.

Core inflation 2 – types of goods to be excluded: (1) meat, (2) fruit and vegetables, (3) gas, (4) repair and construction materials.

Core inflation 3 – types of goods to be excluded: (1) bakery products and cereals, (2) dairy products, (3) fruit and vegetable, (4) gas, (5) repair and construction materials.

Core inflation 4 – food products and electrical energy, gas and other types of fuel are to be completely excluded.

Core inflation of NSC – milk, sugar, separate types of fruit and vegetables as well as alcoholic beverages and tobacco goods, petroleum, oils, and lubricants, the commodity line ‘electric energy, gas and other types of fuel’, the services of passenger transport and communication, and some other services, are to be excluded.

Chapter 3. Monetary Policy Decisions of the National Bank of the Kyrgyz Republic

3.1. Major Decisions of the NBKR Board

Below is the list of monetary policy major decisions taken by the Board of the National Bank of the Kyrgyz Republic in the first quarter of 2011:

1. On January 26, 2011, the Board of the National Bank of the Kyrgyz Republic accepted the resolutions, concerning activity of the LLC “Special Fund for Banks Refinancing”:
 - For the purpose of further stimulation of the economic activity, resolution No.4/9 of the NBKR Board prolonged the validity period of the single adjustment coefficient for formation of the interest rate for all directions of crediting of the LLC “Special Fund for Banks Refinancing” at the level of “1” until July 1, 2011. Earlier, the single adjustment coefficient was established at the level of “1” by resolution No.26/1 of the NBKR Board, dated May 3, 2010;
 - Within the framework of implementation of the project “Available Credits for Farmers”, resolution No.4/10 of the NBKR Board approved attraction of 1 billion soms for the LLC “Special Fund for Banks Refinancing” from the Kyrgyz Republic Government in accordance with resolution No.12 of the Kyrgyz Republic Government, dated January 19, 2011. Correspondingly, introductions and changes were introduced into the policy of banks refinancing of the LLC “Special Fund for Banks Refinancing” by resolutions No.4/11 and No.4/12 of the NBKR Board with regard to conditions and procedures for provision of credit funds to banks within the framework of the project “Available Credits for Farmers”;
2. For the purpose of regulation of liquidity in the banking system, resolution No.10/9 of the NBKR Board, dated February 25, 2011, the reserve requirements for commercial banks was changed towards increase from 8.0 to 9.0 percent from the estimate base. The resolution came into force from March 14, 2011;
3. For the purpose of assessment of the current situation as well as for development of scenarios for implementation of the relevant monetary policy in the short-term period, the Board of the National Bank of the Kyrgyz Republic on March 1, 2011, considered and approved the report on monetary policy for 2010 and monetary program for the forthcoming period (resolution No.11/1). Short version of the report on monetary policy for 2010 was provided to the President Apparatus, Government Apparatus, Jogorku-Kenesh, Ministry of Finance and Ministry of Economic Regulation of the Kyrgyz Republic. It is also provided on the official web-site of the National Bank of the Kyrgyz Republic;
4. For the purpose of improvement of efficiency of activity of the LLC “Special

Fund for Banks Refinancing” and attractiveness of crediting conditions for commercial banks, the Board of the National Bank of the Kyrgyz Republic on March 10, 2011, extended the list of pledges for commercial banks by means of inclusion of another category – Loans/Credits in foreign currency (resolution No.13/1).

3.2. Major Decisions of the Monetary Policy Committee

The Monetary Policy Committee (hereinafter referred to as MPC) develops and takes operative decisions in monetary sphere. The decisions are taken weekly and based on the results of assessing the developments in money market. In the first quarter of 2011, the volumes of operations for regulating liquidity in the banking system were defined by the MPC subject to the goals and purposes specified by the NBKR Board and indicated in the main monetary policy guidelines for 2011-2013, in monetary program for the forthcoming period as well as with regard to the situation in the banking sector and the situation in fiscal sphere.

In the first quarter of 2011, the MPC held 13 meetings. The MPC decisions were focused on regulation of liquidity in the banking system through arrangement of weekly auctions for NBKR notes. Given an increase in the excessive liquidity, the NBKR proceeded to increase the volume of the NBKR notes issuance aiming at bringing the volume of notes in circulation up to 1.5 billion KGS by the end of March 2011 from the level of 669.2 million KGS as of the beginning of 2011.

Also, for the purpose of additional exemption of excess reserves of commercial banks, the National Bank of the Kyrgyz Republic in the first quarter of 2011 recommended to perform operations on sale of government securities on repo terms in the amount of 3.6 billion KGS.

The volume of sales of NBKR notes in the first quarter of 2011 constituted 2.2 billion KGS; the volume of sales of government securities on repo terms constituted 684.5 million KGS. As of the end of March 2011, the volume of NBKR notes in circulation constituted 1.2 billion KGS. Net sale of US dollars by the National Bank of the Kyrgyz Republic¹ in the reporting period constituted 3.0 billion KGS.

The Monetary Policy Committee accepted monthly decisions on the size of base rate for the crediting purposes of the LLC “Special Fund for Banks Refinancing”.

Size of the interest rate on credit funds of the LLC “Special Fund for Banks Refinancing” is set equal to the base rate with the adjustment coefficient depending on the crediting sphere. Resolution of the NBKR Board prolonged the duration period of the adjustment coefficient, established at the level of “1” in May 2010, until July 1, 2011.

¹ NBKR follows the policy of floating exchange rate, accepted by the Kyrgyz Republic.

Taking into account a high level of inflation in the country and ongoing considerable inflationary risks in 2011, within the framework of tightening of the monetary policy, the decision of the Monetary Policy Committee reconsidered the base rate for the crediting purposes of the LLC “Special Fund for Banks Refinancing” towards increase. Thus, from January 1, 2011, the base rate was established at the level of 8.0 percent, and from March 1, 2011 – 8.25 percent.

The decision of the Monetary Policy Committee increased the base rate for the LLC “Special Fund for Banks Refinancing” to 8.5 percent from April 4, 2011.

Chapter 4. Inflation Forecast

4.1. Forecast of Key Inflation Factors Dynamics

As per results of 2010, the GDP volume decreased by 1.4 percent against negative consequences of political instability in the country. Economic growth rates in the current year and mid-term perspectives will much depend on external economic conjuncture (inter-relations with the countries – main trade partners and dynamics of prices in the world commodity and raw stock markets) and dynamics of the economic activity recovery in the country, which determine development conditions of external economic relations of the republic as well as domestic production and consumption.

Main pre-conditions for the Kyrgyz Republic economy development in the current year are assumed to be as follows: recovery of business activity in the country, stabilization of trade conditions with the countries – main trade partners and stable development of the economy in region.

As a whole, considering the assumed factors, the GDP growth of Kyrgyzstan in 2011 is expected at the level of 6.6 percent with regard to GDP deflator of 16.0 percent; nominal GDP is expected at the level of 262 317.7 million KGS. In the GDP structure, the main contribution is expected on the part of construction and trade sectors, which is explained by performance of reconstruction works in the south of the republic and recovery of the economic activity in the country. In agriculture, increase in production volume is expected at the level of 6.0 percent due to implementation of the program on concessionary crediting of farmers and low base of the sector in 2010.

Table 4.1.1. GDP Forecast by Sectors of Economy for 2011

	actual data				estimated data		
	current prices, mln.soms	comparable prices, mln.soms	real increment, percent	deflator, percent	comparable prices, mln.soms	real increment, percent	contribution, percent
	2010				2011		
Agriculture, hunt and forestry	39,334.8	36,712.0	-2.8	7.1	41,694.9	6.0	1.1
Industry	41,093.3	37,444.5	9.9	9.7	41,715.0	1.5	0.3
<i>Mining industry</i>	<i>1,451.0</i>	<i>1,067.9</i>	<i>-0.4</i>	<i>35.9</i>	<i>1,523.6</i>	<i>5.0</i>	<i>0.0</i>
<i>Processing industry</i>	<i>33,830.7</i>	<i>31,527.1</i>	<i>10.1</i>	<i>7.3</i>	<i>34,089.3</i>	<i>0.8</i>	<i>0.1</i>
<i>including the Kumtor</i>	<i>19,904.0</i>	<i>15,829.4</i>	<i>7.6</i>	<i>25.7</i>	<i>19,963.7</i>	<i>0.3</i>	<i>0.0</i>
<i>Production and distribution of e/p, gas and water</i>	<i>5,811.6</i>	<i>4,849.5</i>	<i>11.0</i>	<i>19.8</i>	<i>6,102.2</i>	<i>5.0</i>	<i>0.1</i>
Construction	11,998.9	10,414.6	-22.8	15.2	15,598.6	30.0	1.7
Trade	34,625.7	31,687.5	-6.4	9.3	38,261.4	10.5	1.7
Transport and communication	19,385.9	18,108.2	2.5	7.1	20,355.2	5.0	0.5
Others	43,385.9	42,281.2	0.1	2.6	44,687.5	3.0	0.6
Net taxes for products	22,352.9	21,842.7	-1.4	2.3	23,823.4	6.6	0.7
GDP	212,177.4	198,490.7	-1.4	6.9	226,136.0	6.6	6.6
GDP without the Kumtor	192,273.4	182,661.3	-2.1	5.3	206,172.3	7.2	7.2
<i>For reference</i>							
Services	97,397.5	92,076.9	-1.8	5.8	103,304.1	6.1	2.8

For 2012 and 2013, the real GDP growth, calculated on the basis of evaluation of long-term perspectives of the economy growth as well as under condition of absence of shocks and other factors is expected at the level of 5.0 percent.

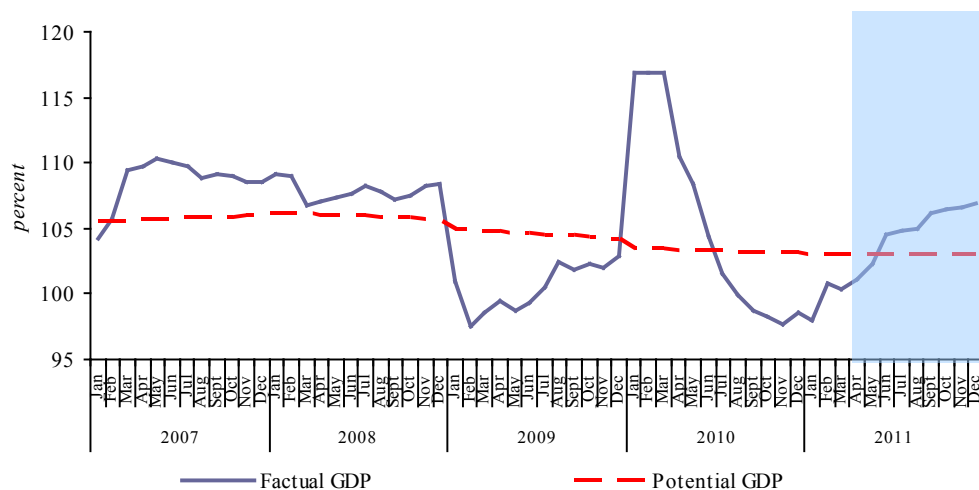
Table 4.1.2. GDP Forecast by Sectors of Economy for 2011-2013

	Fact	Forecast		
	2010	2011	2012	2013
Agriculture	-2.8	6.0	1.5	2.2
Industry	9.9	1.5	3.0	3.2
Construction	-22.8	30.0	20.0	15.0
Services	-1.8	6.1	5.0	5.0
Net taxes for products	-1.4	6.6	5.0	5.0
GDP	-1.4	6.6	5.0	5.0
Deflator, percent	6.9	16.0	8.3	7.2
Nominal GDP, million KGS	212,177.4	262,317.7	298,359.4	335,703.1

GDP gap index may serve as another indicator of the price risk assessment in the economy, which occurs under the influence of increase/decrease of the production volume. As per results of 2011, excess of the actual GDP growth rate over its potential value is expected, which serves as assessment of the price pressure in the economy on the part of production sector.

Fig. 4.1.1. Forecast of actual and potential GDP

(growth rate, period from the beginning of the year against corresponding period of the previous year)



Key role in formation of the overall level of consumer prices especially in the mid-term perspective is played by the balance between demand and supply of goods and services. Actual data of 2009-2010 as well as forecast data for 2011 show that domestic demand of Kyrgyzstan starts to be recovered. The main role in this process is played by growing volumes of money transfers of labor migrants, passed and forthcoming election campaigns as well as their accompanying increase in money supply; in 2011, it is planned to increase salary rates of the budget sphere workers. Considering the fact that the main share of the population's income is spent for consumption, it is possible to say about high inflation potential in the economy, because growth of consumer demand occurs

against production decrease or growth retardation in all sectors of the economy. There is still the necessity in performance of structure reformation in order to provide the pricing stability.

Another factor, influencing the current and future level of inflation, consists in expenditures of the government sector, acting as one of the main sources of money supply. During 2011, considerable volume of government expenditures are expected and as a consequence – maintenance of high level of the budget deficit. Despite inconsiderable surplus of the state budget according to the actual data, it is necessary to note that it was continuation of the previous year practice, when rather conservative budget policy was implemented at the beginning of a year.

Moreover, one of the reasons also included delayed acceptance of the Law on the State Budget. Therefore, considering the planned increase in salary rates of the budget sector, it is necessary to expect faster growth rates of budget expenses in the next quarters.

Inflation dynamics will also depend on the level of adjustment of prices for the imported goods in the domestic market due to expectations with regard to future dynamics of the exchange rate. The issue, related to entrance of Kyrgyzstan into the Customs Union, remains unclear, so it is necessary to expect adjustment of prices for consumer goods.

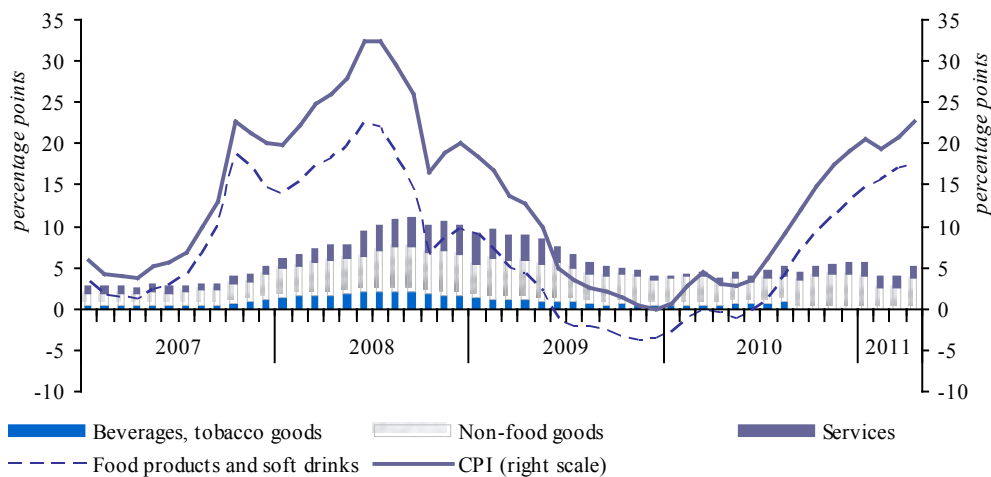
4.2. Inflation forecast for 2011 and second quarter of 2011

Complex macro-economic situation, maintenance of high inflation expectations among the population, considerable growth of budget expenses and deficit of the state budget as well as slow recovery of favorable external and internal trade conditions create considerable pre-conditions and risks for maintenance of high inflation background in the economy up to the end of 2011.

In general, the dynamics of inflation will directly depend on the measures, aimed at stabilization of situation in the market of food products. The dynamics of consumer prices, observed in the last years, show that considerable fluctuation of prices was mainly provided by volatility of prices for food products. At that, prices for non-food products, alcohol beverages, tobacco products as well as for services¹ have stable upward dynamics, which generally form a high inflation background in the economy.

¹ Since 2007, in December of each year the total sum contribution of these goods and services into the level of annual inflation varies in the range of 4-10 percent. It gives the possibility to assume that in 2011, contribution of these factors into the inflation rate will be at the same level, exclusively of additional contribution of food products.

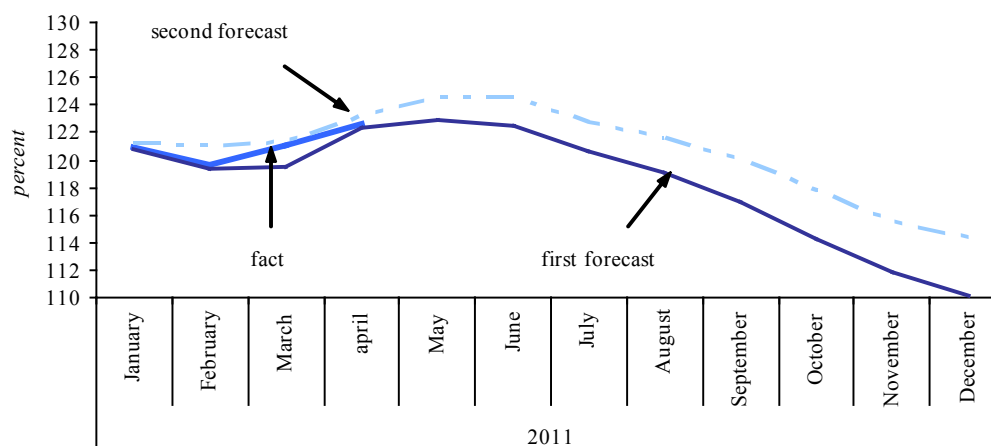
Fig. 4.2.1. Annual dynamics of inflation and contribution of its components



In March-April 2011, in the world commodity markets as well as in the domestic market of Kyrgyzstan, there were the first signs of stabilization of prices for food products, also due to seasonal factors. However, there is still price fixing at the current high level. As per results of the year and with regard to actual data for the first quarter of 2011, the upward tendencies of the price dynamics development are expected.

According to current evaluations of the National Bank of the Kyrgyz Republic, inflation may considerably vary pursuant to various scenarios at various influences of internal and external factors. At moderate growth of prices for food-products and absence of considerable external and internal price shocks (demand and supply shock), the inflation value (pursuant to the first scenario) is expected that the level of about 11 percent. Considering the observed dynamics of prices for food products in the world and in the republic, it may be supposed that contribution of food products will be more considerable and correspondingly it will affect the accumulated stable growth of prices for non-food products and services. As a result, in 2011 the forecast of inflation (pursuant to the second scenario) will constitute 18.0 percent.

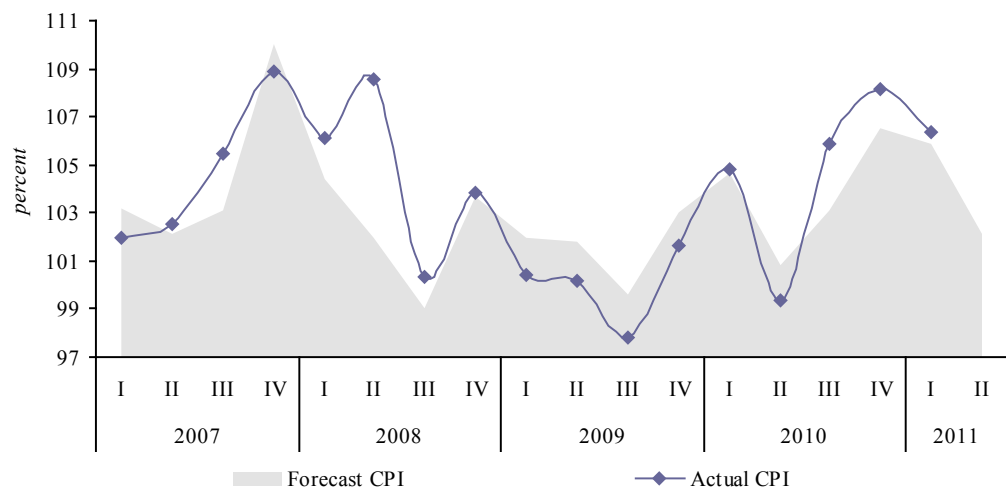
Fig. 4.2.2. Forecast of Inflation Annual Value



Actual inflation level in the first quarter of 2011 (6.4 percent) inconsiderably exceeded the forecast data for this period (6.0 percent), which was published in previous Inflation Review.

In the second quarter of 2011, it is expected that the situation in the consumer market will be formed mainly under the influence of seasonal fluctuation of prices for agricultural production as well as the influence of prices in the world trade-r raw stock market. As a result, increase in prices is forecasted up to 0.6 percent in the second quarter of 2011.

Fig. 4.2.3. Inflation forecast for the second quarter of 2011



Another indicator of price dynamics in the economy as a whole – GDP deflator – is forecasted to be about 16.0 percent in 2011.

Statistical Annex

Table 1. Consumer Price Index
(a month against previous month, percent)

	2011		
	January	February	March
Consumer price index for goods and services	102.7	101.4	102.2
Goods	102.7	101.7	102.4
Food products and soft drinks	104.9	103.0	103.9
Alcoholic beverages and tobacco goods	100.2	100.1	100.9
Non-food goods	100.5	100.3	100.6
Services	102.1	99.6	100.4
Food products and soft drinks	104.9	103.0	103.9
Bakery products and cereals	101.7	104.0	107.3
top grade wheat flour	102.2	104.7	107.8
first grade wheat flour	101.9	106.2	111.1
Bread	100.9	103.0	104.7
Meat	104.9	103.1	100.9
Fish	101.1	100.9	100.9
Dairy products, cheese, eggs	103.8	102.0	97.0
Oils and fats	100.7	100.2	102.6
Fruit and vegetables	115.8	102.1	105.2
fruit	101.5	101.5	101.8
vegetables	122.5	102.3	106.5
Sugar, jam, honey, chocolate, and candy	105.7	104.6	101.3
sugar	108.4	106.1	100.2
Other food products	100.8	102.5	99.0
Soft drinks	101.8	100.9	102.7
Alcoholic beverages and tobacco goods	100.2	100.1	100.9
Alcoholic beverages	100.1	100.0	100.2
Tobacco goods	100.6	100.2	102.8
Clothes and footwear	101.0	101.5	101.8
clothes	101.2	100.9	100.2
materials for clothes making	100.7	100.0	100.3
men's clothes	101.4	101.1	99.3
ladies' clothes	101.0	100.3	100.5
clothes for children and newborns	101.2	101.5	100.7
cleaning, repairing and hiring-out of clothes	106.4	103.8	101.2
footwear, including cobbling	100.6	103.0	105.6
men's footwear	100.0	106.6	104.3
ladies' footwear	100.6	102.2	107.0
children's footwear	101.3	99.1	103.7
cobbling	103.0	102.4	106.9
Housing services, water, electric power, gas and other types of fuel	99.9	99.4	99.1
rental housing	100.0	100.6	100.0
materials for dwelling premises maintenance and repair	99.3	99.8	102.4
brick	100.0	100.0	103.1
carving wood	98.0	100.1	102.6
cement	99.1	98.7	101.8
flat glass	99.8	99.3	100.0
construction sand	100.0	100.0	109.7
asbestos sheeting	99.7	100.0	100.0
services on current maintenance and repair of premises	100.0	100.0	100.0
water supply	100.0	100.0	100.0
electric power, gas and other types of fuel	100.0	99.3	98.7
gas	100.2	98.9	99.4
Household items and domestic machines	100.2	101.0	100.5
furniture and floor coating	100.1	101.7	100.5
household textile products	100.1	100.0	100.8
household appliances	100.5	101.2	100.1
glassware, tableware and household stuff	100.4	100.1	100.3
Healthcare	99.6	101.4	100.8
Transport	102.0	96.9	100.2
Purchase of vehicles	100.4	100.1	100.1
petroleum, oil, and lubricants	98.6	88.1	99.2
petrol	98.6	88.0	99.1
diesel fuel	97.6	90.1	101.5
technical maintenance and repair of individual transportation means	100.1	100.0	100.0
transport services	104.0	97.6	100.5
Communication	100.0	100.0	100.0
Rest, entertainment and culture	100.0	100.8	101.6
services for arranging cultural activities	100.1	102.1	101.2
newspaper, books and stationary	100.0	101.3	103.1
Education	100.5	101.0	100.1
Restaurants and hotels	102.0	100.3	100.2
public catering	102.0	100.2	100.2
hotel service	100.9	101.7	100.3
Different goods and services	102.2	100.4	100.4
personal service	102.5	100.3	100.4
personal demand items, which are not included into other categories	100.8	101.1	100.1
other services, which are not included into other categories	101.0	101.3	100.0

Source: NSC

Table 2. Consumer Price Index
(a month against corresponding month of the previous year, percent)

	2011		
	January	February	March
Consumer price index for goods and services	120.6	119.4	120.8
Goods	121.8	120.5	122.2
Food products and soft drinks	130.5	132.1	135.3
Alcoholic beverages and tobacco goods	113.0	112.9	113.5
Non-food goods	113.5	108.6	108.8
Services	112.8	111.2	111.1
Food products and soft drinks	130.5	132.1	135.3
Bakery products and cereals	129.0	134.5	145.2
top grade wheat flour	136.2	143.3	154.8
first grade wheat flour	151.0	160.9	179.8
Bread	123.3	125.8	131.7
Meat	132.8	135.1	133.3
Fish	115.4	112.9	113.6
Dairy products, cheese, eggs	115.2	117.6	115.8
Oils and fats	137.4	137.4	140.4
Fruit and vegetables	152.5	144.5	143.6
fruit	138.0	137.8	138.4
vegetables	160.3	147.4	145.1
Sugar, jam, honey, chocolate, and candy	114.3	117.6	117.5
sugar	117.0	121.2	119.3
Other food products	109.2	111.7	110.6
Soft drinks	114.2	114.7	116.5
Alcoholic beverages and tobacco goods	113.0	112.9	113.5
Alcoholic beverages	106.8	106.6	106.1
Tobacco goods	129.8	130.1	133.8
Clothes and footwear	115.0	115.9	117.6
clothes	121.0	120.9	120.6
materials for clothes making	112.2	104.4	104.6
men's clothes	125.2	125.7	124.7
ladies' clothes	120.9	120.2	120.1
clothes for children and newborns	117.7	119.2	119.9
cleaning, repairing and hiring-out of clothes	127.7	131.2	126.0
footwear, including cobbling	102.1	104.9	110.9
men's footwear	97.4	103.6	110.0
ladies' footwear	104.8	106.9	111.4
children's footwear	105.1	104.0	111.5
cobbling	119.1	121.8	130.1
Housing services, water, electric power, gas and other types of fuel	111.4	93.5	92.2
rental housing	100.4	101.0	100.6
materials for dwelling premises maintenance and repair	112.9	113.3	115.8
brick	119.4	121.6	119.4
carving wood	133.7	133.9	137.4
cement	106.6	108.2	111.8
flat glass	121.8	121.0	119.7
construction sand	76.2	76.2	83.6
asbestos sheeting	103.7	103.7	103.7
services on current maintenance and repair of premises	103.5	103.5	103.5
water supply	137.4	137.4	100.7
electric power, gas and other types of fuel	110.8	90.1	89.3
gas	109.8	108.4	107.0
Household items and domestic machines	107.4	108.0	108.2
furniture and floor coating	106.3	107.8	108.2
household textile products	106.8	106.8	107.6
household appliances	105.4	106.5	106.3
glassware, tableware and household stuff	112.4	111.9	112.2
Healthcare	115.6	115.6	107.7
Transport	113.7	110.0	110.5
Purchase of vehicles	108.5	108.1	107.7
petroleum, oil, and lubricants	133.4	118.2	116.1
petrol	131.4	116.3	114.9
diesel fuel	148.6	134.4	129.6
technical maintenance and repair of individual transportation means	100.1	100.1	100.1
transport services	113.3	110.3	111.4
Communication	99.8	94.4	94.4
Rest, entertainment and culture	118.6	118.7	120.3
services for arranging cultural activities	104.9	103.0	103.9
newspaper, books and stationary	122.0	123.6	127.3
Education	107.0	107.5	107.6
Restaurants and hotels	118.6	118.5	118.7
public catering	118.8	118.7	118.9
hotel service	112.2	112.4	112.4
Different goods and services	117.8	116.1	114.4
personal service	117.9	115.7	113.6
personal demand items, which are not included into other categories	122.8	123.7	114.6
other services, which are not included into other categories	101.6	102.9	123.7

Source: NSC

Table 3. Indexes of Prices and Physical Volume of Imports for January to February 2011

Description of goods	2 months	2 months	2 months	Indexes		
	of 2011	of 2011	of 2011	price	phys. vol.	value
	mln. USD	mln. USD	mln. USD			
n11*p11	n11*p10	n10*p10	A/B	B/C	A/C	
	A	B	C			
Petroleum, petroleum-products and analogous materials	86.5	66.4	93.4	1.30	0.71	0.93
Medicaments (including veterinary medicaments)	27.6	8.7	11.7	3.16	0.75	2.37
Natural gas in gaseous state	17.1	6,393.8	14.9	0.00	428.88	1.14
Goods cars and and special purpose vehicles	15.6	7.0	3.7	2.24	1.88	4.20
Sugar, sugar products and honey	15.1	12.5	10.8	1.20	1.16	1.39
Cast-iron and steel	12.8	11.0	14.4	1.16	0.76	0.89
Meat and meat products	12.5	11.2	10.8	1.11	1.04	1.15
Crops (including eincorn) and mangcorn (unmilled)	11.7	5.1	6.4	2.28	0.81	1.84
Essential oils, resoniuds and perfume substances	10.3	8.1	6.7	1.27	1.21	1.54
Electric wire telephone and telegraph sets	10.1	21.2	4.4	0.48	4.85	2.32
Coffee, tea, cocoa, spicery and their products	9.9	7.9	7.0	1.26	1.12	1.41
Fertilizers	8.1	6.9	4.1	1.18	1.68	1.98
Paper, cardboard and products made of paper stock	7.8	6.1	5.7	1.27	1.07	1.37
Woofed fabric made of artificial textile materials	7.0	5.1	5.4	1.37	0.95	1.30
Rubber tires	5.8	4.8	5.2	1.21	0.93	1.12
Vegetables and fruit	5.4	3.8	7.9	1.41	0.49	0.68
Mechanical shovels, excavators and scoop loaders	5.1	1.3	1.7	4.02	0.74	2.96
Vegetable oils and fats	4.8	3.5	5.1	1.37	0.68	0.93
Coal, coke and briquets	4.7	5.2	6.8	0.91	0.76	0.69
Food products and preparations no included into the other categories	4.2	2.7	3.1	1.56	0.87	1.36
Machinery for transportation, sorting and leveling	4.0	0.3	0.2	13.03	1.75	22.80
Machinery for construction and mining industry	3.9	1.2	0.9	3.16	1.33	4.21
Imperfect metal products not included into the other categories	3.8	3.7	3.9	1.04	0.95	0.98
Plastics in prime form	3.8	3.9	2.2	0.97	1.78	1.72
Compressed wood and restored wood	3.7	3.1	2.6	1.17	1.21	1.42
Footwear with rubber or synthetic sole and upper	3.7	3.1	4.3	1.19	0.72	0.85
Cereals, flour and starch products	3.4	3.0	2.3	1.14	1.33	1.52
Non-organic chemical substances	3.3	7.6	10.4	0.43	0.73	0.31
Coarse flour,low-ground flour, wheat flour and mangcorn flour	3.2	1.9	0.3	1.64	5.63	9.26
Alcoholic beverages	2.9	2.1	3.0	1.35	0.70	0.95
Sugar-sweetened mineral water and soft drinks	2.7	2.7	2.5	0.98	1.11	1.09
Plastics in unprime form	2.5	2.2	1.9	1.17	1.14	1.34
Sawed or splited lengthwise conifer wood	2.3	2.0	2.3	1.17	0.86	1.01
Margarine and combined fats	2.2	1.7	1.7	1.28	1.02	1.30
Blouses, slipovers, cardigans, waistcoats and similar clothes, not included into other categories	2.0	1.6	1.5	1.30	1.06	1.37
Glass containers; glass corks; glass products for thermoses	2.0	1.5	1.4	1.33	1.03	1.37
Cars and vehicles for transportation of people	1.9	2.4	2.5	0.81	0.97	0.79
Health care and pharmaceutical products	1.9	1.8	1.8	1.03	0.99	1.02
Other mineral raw products	1.8	0.8	0.3	2.25	2.86	6.45
Green tobacco; tobacco offals	1.6	3.3	0.1	0.50	43.45	21.74
Power distributing equipment not included into the other categories	1.6	1.3	1.2	1.22	1.15	1.40
Fish (non-marine animals)	1.5	1.5	0.9	1.02	1.62	1.66
Copper	1.5	2.1	0.6	0.70	3.50	2.45
Various chemical products, not included into other categories	1.5	2.1	1.5	0.70	1.45	1.01
Hand and machine tools	1.5	1.1	1.1	1.38	0.95	1.31
Nails, external screws, internal screws, bolts, clenches, etc	1.4	0.9	1.3	1.56	0.70	1.10
Batteries and electric accumulators; their spare parts	1.4	42.3	0.9	0.03	46.12	1.51
Cane fiber board	1.4	2.0	1.2	0.68	1.76	1.20
Milk, cream and dairy products, except butter and cheese	1.3	1.4	1.5	0.96	0.92	0.88
Textile yarn	1.3	1.0	0.7	1.25	1.53	1.91
Coloring and tanning matters and dyes	1.3	1.7	1.5	0.76	1.11	0.84
Machines for automatic data processing and their blocks	1.3	3.6	1.8	0.35	1.98	0.69
Glazed ceramic tiles	1.2	1.1	1.0	1.09	1.12	1.22
Insecticides, rodenticides, fungicides, herbicides	1.2	1.1	1.5	1.08	0.76	0.82
Ceramic ware	1.2	1.3	1.5	0.93	0.88	0.82
Bulldozers, graders and levelators	1.2	0.8	0.4	1.46	2.00	2.93
Household washing devices	1.2	1.4	0.8	0.85	1.91	1.62
Electric-and-heating equipment not included into the other categories	1.2	1.4	1.1	0.89	1.25	1.11
Nomenclature Total (mln, USD)	363.1	6,710.8	295.8	0.05	22.69	1.23
Nomenclature Total (% of total imports)	78%		72%			
Import Total	468.1		408.1			

According to the NSC at FOB prices; the Table demonstrates the first 58 import large items

n - physical volume of goods imports

p - estimated import price of the goods

Table 4. Indexes of Prices and Physical Volume of Imports for January to February 2011

<i>Description of goods</i>	<i>2 months</i>	<i>2 months</i>	<i>2 months</i>	<i>Indexes</i>		
	<i>of 2011</i>	<i>of 2011</i>	<i>of 2011</i>	<i>price</i>	<i>phys. vol.</i>	<i>value</i>
	<i>mln. USD</i>	<i>mln. USD</i>	<i>mln. USD</i>			
	<i>n11*p11</i>	<i>n11*p10</i>	<i>n10*p10</i>	A/B	B/C	A/C
	A	B	C			
Nonmonetary gold	255.1	205.4	142.6	1.24	1.44	1.79
Vegetables and fruit	21.4	29.0	6.6	0.74	4.39	3.25
Petroleum, petroleum-products and analogous materials	15.0	10.4	13.2	1.44	0.78	1.13
Cotton	3.8	2.6	1.9	1.47	1.39	2.05
Electrical current	3.2	1,514.4	1.6	0.00	948.62	2.03
Incandescent lamps	2.8	2.7	3.1	1.05	0.86	0.89
Blouses, jackets and jacket-blouses	2.6	2.9	3.0	0.91	0.96	0.87
Milk, cream and dairy products, except butter and cheese	2.4	2.4	3.6	1.01	0.68	0.69
Scrap metal and ferrous metallurgy wastes	2.0	1.3	0.5	1.53	2.81	4.29
Dresses	1.8	2.0	1.6	0.93	1.23	1.15
Trousers, combinations, capris and briefs	1.7	1.7	1.3	0.97	1.30	1.26
Silver	1.6	1.0	0.4	1.67	2.63	4.40
Woven and knitted garment for women	1.6	1.6	1.7	1.03	0.91	0.93
Woven and knitted legwear garment	1.3	1.3	1.2	0.95	1.14	1.08
Paper, cardboard and their products	1.2	1.2	0.8	0.99	1.51	1.50
Scrap metals and imperfect metal wastes	1.2	0.3	0.4	4.58	0.70	3.22
Alive animals	1.2	0.7	0.7	1.73	1.01	1.75
Different imperfect metals used in metallurgy	1.1	0.6	0.6	1.87	1.03	1.93
Coats, bum-perishers, capotes, rain-coats and similar clothes for ladies	1.1	1.2	0.5	0.92	2.24	2.06
Green tobacco; tobacco offals	1.0	1.2	1.4	0.84	0.81	0.68
Trousers, combinations, capris and briefs for men	0.9	0.9	0.7	1.08	1.28	1.38
Nonorganic chemical substances	0.8	14.8	29.9	0.05	0.49	0.03
Skirts and and pants-skirts	0.8	0.9	0.8	0.90	1.14	1.03
Sugar-sweetened mineral water and soft drinks	0.7	0.5	0.6	1.40	0.86	1.21
Cattle leather or horse leather, rawstock	0.6	0.8	0.2	0.80	5.03	4.01
Coffee, tea, cocoa, spicery and their products	0.6	0.5	0.1	1.17	5.21	6.09
Aluminium	0.6	0.2	0.1	3.19	1.99	6.36
Other footwear with top, made of textile	0.5	0.6	0.2	0.86	2.93	2.50
Power distributing equipment not included into the other categories	0.5	0.0	0.0	0.00	0.00	96.11
Other mineral raw materials	0.5	0.4	0.3	1.17	1.58	1.84
Fabrics made of artificial textile materials	0.5	0.4	0.2	1.06	2.26	2.39
Woven cotton fabric	0.4	0.6	0.4	0.71	1.79	1.27
Cereals, flour and starch products	0.4	0.3	0.3	1.58	0.93	1.48
Food products and preparations no included into the other categories	0.4	0.6	0.4	0.69	1.76	1.22
Coats, bum-perishers, capotes, rain-coats and similar clothes for men	0.4	0.2	0.1	1.78	3.76	6.70
Sugar, sugar products and honey	0.4	0.4	0.3	0.89	1.55	1.37
Leather made of solid jacket of cattle stock	0.4	0.6	0.1	0.64	4.83	3.09
Meat and meat products	0.4	0.7	0.1	0.58	4.95	2.86
Cast-iron and steel	0.3	0.4	0.1	0.93	4.02	3.72
Stone, sand and gravel	0.3	0.3	0.5	1.04	0.66	0.69
Woven or knitted garments for ladies	0.3	0.3	0.1	1.01	3.05	3.07
Medicaments (including veterinary medicaments)	0.3	0.4	0.0	0.76	17.67	13.43
Lead	0.3	0.3	0.5	1.10	0.53	0.58
Imperfect metal products not included into the other categories	0.3	0.5	0.2	0.61	2.08	1.27
Alcohol beverages	0.3	0.5	0.1	0.50	5.94	2.97
Rice	0.3	0.3	0.4	1.00	0.63	0.63
Bed clothes, tableclothes, bath and kitchen clothes	0.2	0.3	0.2	0.99	1.45	1.43
Goods cars and special purpose vehicles	0.2	0.5	0.7	0.51	0.63	0.32
Sheepskin and lamb-skin without fur, non-processed	0.2	0.2	0.1	1.15	3.25	3.74
<i>Nomenclature Total (mln, USD)</i>	336.3	1,811.1	224.1	0.19	8.08	1.50
<i>Nomenclature Total (% of total exports)</i>	96%		92%			
<i>Exports Total</i>	352.1		243.2			

According to NSC at FOB prices without regard to final evaluations; the Table shows the first 49 export large items

n - physical volume of goods imports

p - estimated import price of the goods

Glossary

Core inflation is inflation excluding short-term, structural and seasonal changes of prices. That is, excluded from the calculation of the inflation factor are growth of prices of goods, caused by seasonal or external factors (such as: the bad crop, the price shock in the market of oil products, administrative changes in tariffs for gas and electricity, etc.).

Discount rate is the tool used as the basic reference point when determining the value of monetary resources in the economy. The size of the discount rate is equal to the average value of the yield of 28-day NBKR Notes for the recent 4 auctions on allocation of the NBKR Notes.

GDP deflator is a composite index of the economy branches prices, characterizing the GDP with regard to growth of prices in the economy. GDP deflator is calculated as the proportion between nominal GDP in prices of the current year against GDP rate of the previous year.

Inflation represents the increase in the general level of consumer prices in the economy. The consumer price index is used to quantitatively estimate the rate of inflation. The CPI shows the change in the price level for the goods and services purchased by the population for non-productive consumption. In the calculations of the price index of buyers of selected 342 goods and services is applied and the size of the sample makes 45 thousand prices a month of 1496 trading enterprises and spheres of services in seven city and two regional centers.

Monetary aggregate is the money supply classified according to degrees of liquidity: M0; M1; M2; M2X.

M0 – currency in hands.

M1 – M0 + demand deposits in national currency.

M2 – M1 + time deposits in national currency.

M2X – M2 + deposits in foreign currency.

Monetary base – obligations of the National Bank of the Kyrgyz Republic on cash, issued in circulation, and obligations of the National Bank of the Kyrgyz Republic to other depository corporations in the national currency of the Kyrgyz Republic

Money in circulation – the cash money in circulation, issued by the National Bank of the Kyrgyz Republic, except for the cash in the NBKR cash desks.

NBKR calculates the core inflation behavior by the method of simple exclusions. The given method means the exclusion from the CPI of specific categories or the whole group of goods and services, whose prices are highly sensitive to shocks.

Traditionally, some food products, energy resources and tariffs administratively established by the Government are referred to such goods.

NBKR Repo Operations – operations on purchase (direct repo)/sale (reverse repo) of government securities with the obligation to sell them back / purchase on the specified date in future at the predetermined price.

Non-financial assets include the following categories of economic assets: fixed assets, stocks of tangible current assets, values and non-produced assets (natural and intangible assets).

Notes are the Government short-term securities, issued by the NBKR for the term of 7, 14, 28, 91 and 182 days through the weekly auctions. The profitability rate is determined depending on the supply and the demand among the commercial banks. The goal of conducting the auctions of notes is the withdrawal of liquidity in national currency from the banking system.

Other depositary corporations – all resident financial corporations, except for the central bank, which activities are aimed at financial intermediation and which issue obligations, included into the national definition of the broad money stock (M2X).

Output gap (or GDP gap) – is the different between potential and actual GDP growth. Output gap may serve as an indicator of activation or stagnation of the economy. If actual GDP is less than potential one ($Y < Y^*$), then it may be considered that there is so-called “recessionary gap” in the economy, which points at possible availability of deflationary processes. And vice-versa, if actual GDP is more than potential one ($Y > Y^*$), then it may be considered that the aggregate demand growth exceeds the aggregate supply growth, which promotes enhancement of the inflation pressure.

“Overnight” credit is given in national currency for one day, for collateral, for maintenance of short-term liquidity of the bank. Government securities of the Kyrgyz Republic placed through the NBKR, with the date of redemption up to 12 months from the date of delivery of the overnight credit are accepted as collateral. The interest rate is set at the rate of 1.2 of the NBKR discount rate. The credit is used on the initiative of the commercial bank.

Producer price index measures the average changes in the sales prices got by the local producers for their output. Information, used in the PPI calculations, is collected from 148 enterprises, which represent almost each branch in the industrial sector of the economy. The list of enterprises combines those most typical for the given industry, characteristic for the given region, and irrespective of patterns of ownership.

Renewable State Treasury Bills for settlement are the coupon securities with maturities of 3, 6 and 12-months, issued by the Ministry of Finance as a result of restructuring the debt of the Government of the Kyrgyz Republic to the

NBKR. The renewable nature of these securities means the following: on the day of redemption of ST-Bills(s) in the NBKR portfolio, the Ministry of Finance simultaneously with the redemption issues new series of ST-Bills(s) in favor of in number equal to the number of sinking securities.

State budget operating expenditures are all of the operations, which lead to the reduction in the net value of assets of the government sector, except for the operations on purchase of non-financial assets.

State Treasury Bills are the short-term (3-, 6-, 12-month) discount government securities of the Government of the Kyrgyz Republic. The Ministry of Finance is the emitter of ST-Bills. Issues of ST-Bills are placed weekly and through the NBKR auctions. Direct participants (primary dealers, finance and credit institutions, which concluded the contract with the NBKR) enjoy the right of participation in the auctions. Owners of ST-Bills of the Kyrgyz Republic could be both the legal entities and the individuals. The admission of foreign investors to the market of ST-Bills is not limited. The transactions in the secondary market of ST-Bills are conducted through the electronic trading system of the NBKR, which allows the primary dealers and their clients to conduct the ST-Bills purchase/sale operation from their workplaces.

State Treasury Bonds are the long-term government securities of the Government of the Kyrgyz Republic with the interest income (coupon) and maturity over 1 year. The emitter of ST-Bonds is the Ministry of Finance. The NBKR is the general agent servicing issues of ST-Bonds.

Structure of money income of the population by quintile groups reflects differentiation of the population by income size into five (quintile) groups, each of which consists of 20 percent of the population. This approach of determination of the population income differentiation assumes division of the ranged total amount of the population into five equal groups, thus, determining the share, which is accounted for the group of the population with the largest or lowest income in the society's total income.

Swap operations – operations on the exchange of funds in national currency in the amount equivalent to the amount in foreign currency or, on the contrary, to the obligation of the reverse exchange of principal amounts and accrued interest on the stipulated conditions.

Abbreviations

CIF	Cost, Insurance, Freight
CIS	Commonwealth of Independent States
CPI	Consumer Price Index
FOB	Free on Board
GDP	Gross Domestic Product
KR	Kyrgyz Republic
LLC	Limited Liability Company
MCRC	Monetary-Credit Regulation Committee
MoA	Ministry of Agriculture
NBFI	Non-banking financial institution
NBKR	National Bank of the Kyrgyz Republic
NCOSH	Non-commercial organizations, servicing households
NSC	National Statistics Committee
POL	Petroleum, oil, lubricants
PPI	Producer price index
SCS	State Customs Service under the KR Government
SE	State Enterprise
SFBR	Specialized Fund for Banks Refinancing
ST-Bills	State Treasury Bills
ST-Bills(s)	State Treasury Bills for settlement
ST-Bonds	State Treasury Bonds
USA	United States of America