

National Bank of the Kyrgyz Republic

Inflation Report

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Inflation Report

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This edition contains the description of the consumer price trends in the Kyrgyz Republic and its regions, analysis of major inflation factors, decisions made by the National Bank of the Kyrgyz Republic on monetary policy, and also presents inflation forecast for the upcoming period. It is published on a quarterly basis in 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 situation in the Kyrgyz Republic

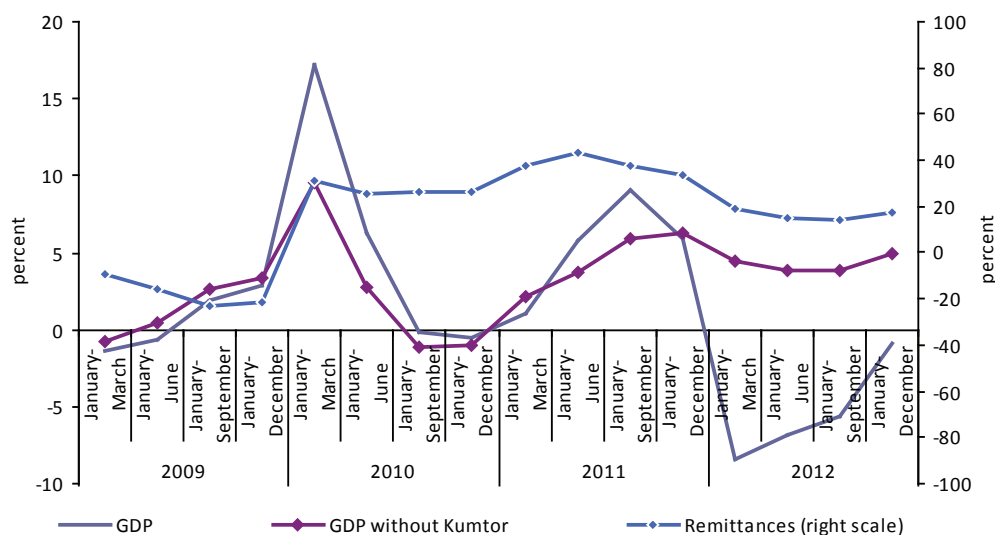
1.1. Demand and supply on commodities and services market

1.1.1. Demand

According to the preliminary data in 2012, the volume of GDP in current prices constituted 304.3 billion KGS, having decreased by 0.9 percent in real terms against the corresponding index for the comparable period of 2011; while in 2011, the GDP volume increased by 6.0 percent. Excluding enterprises on exploitation of gold-mining deposit “Kumtor”, the volume of GDP grew by 5.0 percent for the same period (in the same period of 2011 the growth was 6.3 percent). GDP deflator was formed at 7.4 percent compared to 22.5 percent in 2011.

Chart 1.1.1. Dynamics of Changes in GDP Money and Remittances

(period from the beginning of the year to the corresponding period of the previous year, percent)



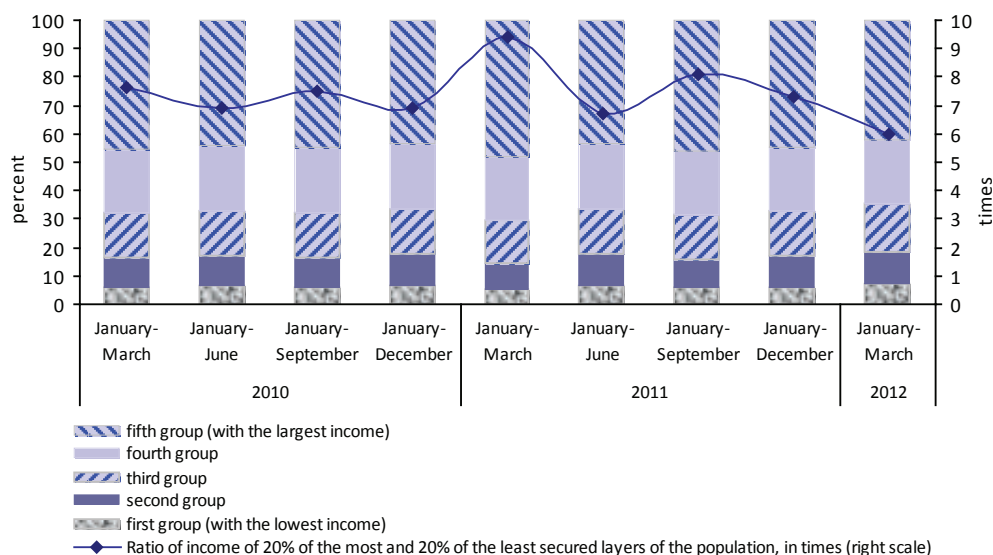
According to preliminary data preserved inflow of cash assets of individuals on money transfer systems in 2012, but the pace of growth has slowed down. In 2012 the net inflow of remittances increased by 17.5 percent and reached 1 768.5 million USD or 28.4 percent of GDP, while in 2011 the increase was 33.8 percent. The main bulk of remittances continue to come from the CIS countries (Russia – 96.5 percent, Kazakhstan – 1.7 percent). From foreign countries received 1.9 percent of the total remittances of individuals. (1.9 percent of the total remittances of individuals were received from foreign countries.)

Table 1.1.1. Remittances of Individuals in money transfer systems*
(mln.USD)

	2009	2010	2011	2012
Balance	893.2	1,124.9	1,505.4	1,768.5
Inflow	966.7	1,252.6	1,695.4	2,017.9
CIS countries	894.4	1,199.3	1,639.4	1,980.4
Kazakhstan	31.4	35.0	41.2	33.8
Russia	862.9	1,164.3	1,597.5	1,946.2
Others	0.0	0.0	0.7	0.5
Far-abroad countries	72.3	53.3	56.0	37.5
Belgium	0.5	0.2	1.4	0.0
Great Britain	1.4	1.4	1.5	1.2
Germany	0.7	9.9	15.7	9.5
USA	69.5	41.7	36.1	25.0
Others	0.3	0.1	1.3	1.8
Outflow	73.6	127.6	190.1	249.4
CIS countries	71.8	125.8	185.8	243.8
Kazakhstan	0.7	0.4	0.7	0.6
Russia	71.1	125.4	184.9	242.8
Others	0.0	0.0	0.3	0.4
Far-abroad countries	1.8	1.8	4.3	5.6
Belgium	0.2	0.5	0.6	0.3
Germany	0.4	0.3	1.4	1.4
USA	1.1	0.9	2.0	2.5
Others	0.1	0.2	0.3	1.4

* Anelik, Blizko, Contact, Migom, MoneyGram, Western Union, Unistream, Gold Crown, Leader, Bystraya pochta, Allure and other transfer systems through the PE "Kyrgyzpochtasy".

According to the results of a sample survey of households in January-March 2012 in the structure of money income of the population by quintile groups, the concentration of total revenue is in favor of the wealthiest group. Thus, the share of income of the wealthiest group amounted to 41.8 percent of total population income, having decreased by 6.2 percentage points compared to the same period in 2011. The share of income of 20 percent of the least wealthy population increased by 1.9 percentage points and amounted to 7.0 percent.

Chart 1.1.2. Composition of Household Money Income by Quintile Groups
(from the beginning of the year)

According to preliminary data from the Central Treasury of the Ministry of Finance the state budget deficit for the year 2012 amounted to 20.2 billion KGS or 6.6 percent of GDP (in 2011 the budget was executed with a deficit of 4.7 percent of GDP). Prevailing at year-end deficit was the highest in the recent years in the country.

State budget revenues, including income from the sale of non-financial assets, amounted to 87.0 billion KGS (28.6 percent of GDP), increased by 11.8 percent or 9.2 billion KGS compared to the same period of 2011. Income from operating activities amounted to 86.8 billion KGS or 28.5 percent of GDP. The largest contribution to the increase in the operating income contributed tax income (14.1 percentage points), the contribution of non-tax income was 2.1 percentage points. Received official transfers decreased by 35.3 percent compared to the same period of 2011 and accordingly made a negative contribution to the growth of the state budget income (-4.0 percentage points).

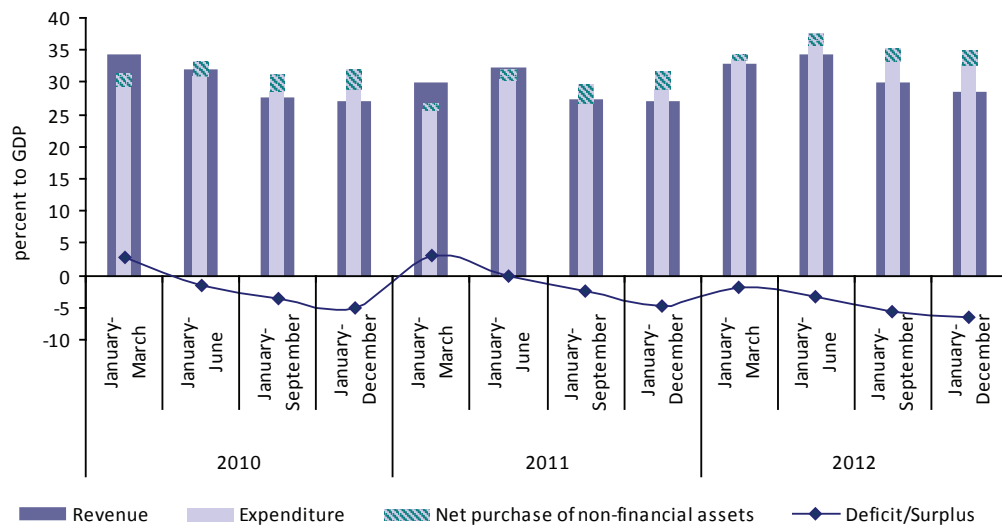
Total expenditures of the state budget including the cost of acquisition of nonfinancial assets amounted to 107.2 billion KGS or 35.2 percent of GDP, increased compared to the same period in 2011 by 17.4 percent or 15.9 billion KGS. It is continuing policy of unequal budget expenditures. The largest part of government expenditure is traditionally carried out in the fourth quarter of 2012 (30.4 percent of total expenditure).

Expenses for operating activities amounted to 100.0 billion KGS or 32.9 percent of GDP. The largest contribution to growth of spending has made “other expenses”, the increase in which is associated with the growth of the credits and loans disbursement in the energy sector and the transport and communications sector in the public investment program. Apart from the increase in capital expenditure in the period under review there has been substantial growth in the expenses for remuneration, subsidies and social benefits, as well as the purchase of commodities and services.

According to preliminary data of the Social Fund of the Kyrgyz Republic, the Social Fund budget surplus amounted to 0.4 billion KGS or 0.1 percent of GDP, income – 30.0 billion KGS or 9.9 percent of GDP, expenditure – 29.7 billion KGS or 9.7 percent of GDP.

Consolidated budget deficit (state budget + budget of the Social Fund) for the reporting year amounted to 19.9 billion KGS or 6.5 percent of GDP. Revenues amounted to 102.7 billion KGS or 33.8 percent of GDP and expenditure – 122.6 billion KGS or 40.3 percent of GDP.

Chart 1.1.3. State Budget Implementation
(for the period)

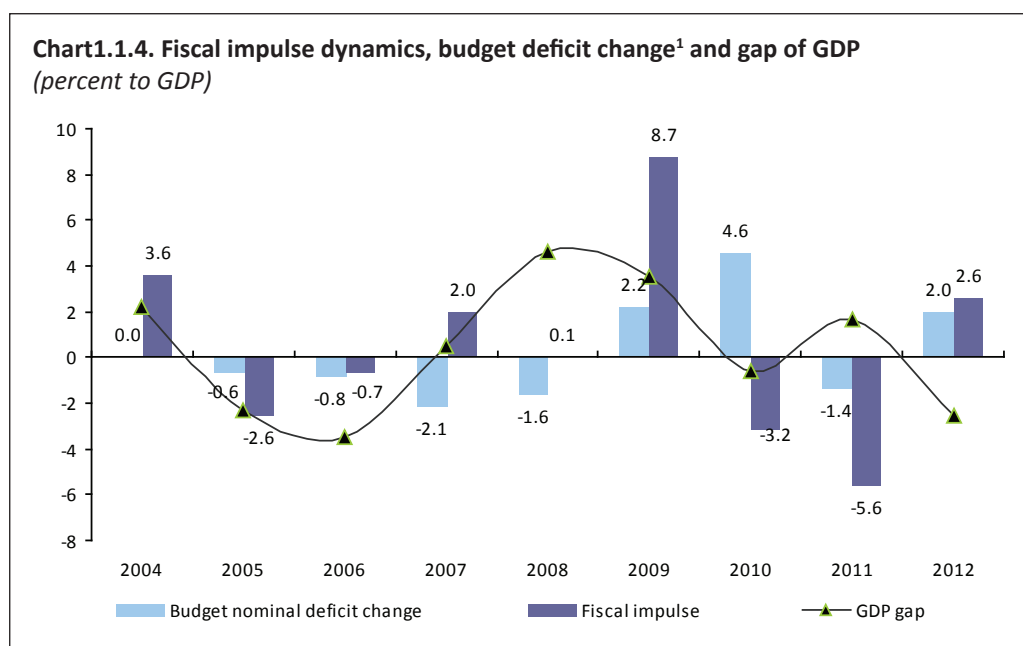


Fiscal policy of the state is an important tool for stabilizing the fluctuations of economic growth. To maintain macroeconomic stability and smoothing economic cyclic fluctuations the fiscal policy should be countercyclical: stimulating fiscal policy to increase composite demand, is used during the economic downturn, and the depressant policy is implemented during the economic recovery. In order to determine the impact of fiscal policy on composite demand and, therefore, perform a stabilizing function is an assessment of the fiscal impulse indicator, calculated with the structural budget balance indicator.

Analysis of the fiscal impulse dynamics and the gap of GDP in Kyrgyzstan indicate a change in the direction of the fiscal policy of the country in recent years. If from 2004 to 2010 was carried out the pro-cyclical fiscal policy, then in 2011 and 2012 observed its countercyclical.

In 2011, for example, against the revival of economic activity in the country, there was a tightening of the fiscal policy over the previous period. According to calculations of the value of the fiscal impulse in 2011 was estimated -5.6 percent of GDP.

In 2012 specified a negative GDP break, while the fiscal impulse figure was positive that characterizes watering-down of the fiscal policy. Expansionist policy in this period is also confirmed by the growth of the nominal budget deficit, which has developed as a result of growth in government expenditure on the investment projects against a slowdown in the budget income growth.



According to the preliminary data the volume of investment in the capital assets in 2012 in real terms increased by 21.5 percent compared to the same period in 2011 and amounted 62.6 billion KGS.

Table 1.1.2. Investments in the Fixed Capital by Sources of Financing

	2011	2012	2012	
	total, mln.som		share, percent	growth rate, percent
Total	49,369.2	62,625.0	100.0	121.5
Internal investment	36,422.3	42,192.7	67.4	111.0
Republican budget (including funds for emergency situations)	5,042.1	3,605.7	5.8	68.4
Local budget	671.1	606.9	1.0	87.1
Funds of enterprises and organizations	18,456.3	23,174.4	37.0	120.2
Credit of the bank	322.6	309.2	0.5	93.4
Funds of the population	11,930.2	14,496.5	23.1	116.4
External investment	12,946.9	20,432.3	32.6	by 1,5 times
Foreign credit	8,336.2	12,378.3	19.8	142.0
Direct foreign investment	2,825.2	5,659.3	9.0	by 1,9 times
Foreign grants and humanitarian supplies	1,785.5	2,394.7	3.8	129.2

Source: NSC KR

In the sectoral structure of investment the bulk of investments is accounted for the mining industry (28.0 percent), transport and communications (15.4 percent), production and distribution of electricity, gas and water – 13.2 percent.

In January-December 2012 for the construction of mining objects the volume of investment adoption in the capital assets increased by 1.6 times, manufacturing - 3 times. This funding was carried out mainly by the funds of enterprises and organizations, as well as the direct foreign investment.

¹ For ease of reference data on the budget deficit and the fiscal impulse is considered the difference in the value of the budget deficit. Therefore the “minus” sign means the deficit reduction.

Investments, adopted in the construction sector of the production objects and distribution of electricity, gas and water increased by 2.7 times in comparison with 2011. The bulk of investments (21.9 percent) financed by the enterprises and organizations, 75.3 percent – by foreign funds. For the construction of substations “Datka” and “Kemin” the volume of assimilated funds totaled 5 541.5 million KGS.

The level of the investment adoption in the capital assets by the construction sector in 2012 compared to 2011 increased by 21.5 percent and amounted 62.625 million KGS. In the housing construction used (estimated NSC KR) 12 676.9 million KGS investments in the capital assets, which was 11.9 percent less than in 2011.

1.1.2. Supply

Main contribution to the decline in GDP in 2012 made manufacturing industries (-5.0 percentage points), mainly due to the decrease in production at enterprises of the “Kumtor” deposit, agriculture (-0.2 percentage points) due to the unfavorable climatic conditions in the last year. At the same time the trade and repairs (+1.6 percentage points), the construction sector (+0.9 percentage points), and transport and communications (+0.7 percentage points) made a positive contribution to GDP. The structure of the aggregate supply of commodities and services did not change much and was as follows: other services sector took 21.9 percent, agriculture - 17.5 percent, trade - 16.2 percent, manufacturing industry - 12.5 percent of total GDP.

Table 1.1.3. Contribution of Individual Activities to GDP Increase/Decrease

	2011		2012	
	growth rate, percent	contribut. to growth, p.p.	growth rate, percent	contribut. to growth, p.p.
Gross Domestic Product	6.0	6.0	-0.9	-0.9
Gross added value	6.0	5.3	-0.9	-0.8
Agriculture, hunting & forestry	1.8	0.3	1.2	0.2
Mining industry	19.5	0.1	26.6	0.2
Processing industry	5.2	0.9	-27.2	-5.0
Electricity, gas and water generation and distribution	21.9	0.7	5.2	0.2
Construction	2.5	0.1	17.3	0.9
Trade, repair	10.2	1.6	10.5	1.6
Hotels and restaurants	16.9	0.2	11.7	0.2
Transport and communication	9.5	0.8	9.0	0.7
Financial activity	10.9	0.1	1.0	0.0
Real estate transactions, rent	1.6	0.1	-1.9	-0.1
State management	5.2	0.3	1.8	0.1
Education	1.3	0.1	5.1	0.3
Health and provision of social services	0.9	0.0	2.4	0.1
Provision of utility and personal services	1.3	0.0	-3.3	-0.1
Net tax on products	6.0	0.6	-0.9	-0.1

Source: NSC KR

According to preliminary data, for December 2012, the physical volume index (PVI) of industrial production decreased by 20.2 percent as compared to the

corresponding index of 2011 (in 2011 the volume of industrial production grew by 23.7 percent). Decrease in PVI of industrial production was due mainly to the decline in the manufacturing of fabricated metal products (44.0 percent) due to the decrease in production of precious metals in the manufacture of machinery and equipment (33.5 percent), rubber and plastic products (23.8 percent). Excluding enterprises on exploration of gold-mining deposit "Kumtor" there was an increase in industrial production PVI at 6.1 percent.

In agriculture, according to preliminary data, in 2012 there was a growth in PVI at 1.2 percent (in December 2011 the volume of agricultural production increased by 2.0 percent). Growth in agriculture in 2012 was influenced by a significant growth in the production of food crops, which led to the growth of the crop production. The volumes of key livestock products increased in the most regions of the country. The growth in production of meat (cattle and poultry for slaughter in live weight) was 1.0 percent.

There was the growth of trade turnover by 11.1 percent (for the same period in 2011 the growth of 9.6 percent). In the structure of trade turnover largest share was a retail trade (52.6 percent), except of motor vehicles and motor fuel and wholesale (32.4 percent).

Table 1.1.4. Dynamics and Structure of Gross Turnover of Trade Operations

	2011		2012	
	share, percent	growth rate, percent	share, percent	growth rate, percent
Trade	100.0	109.6	100.0	111.1
Trade in cars and their spare parts	2.9	120.3	3.2	122.8
Car maintenance	0.5	115.3	0.5	102.3
Wholesale trade	32.6	104.5	32.4	111.6
Retail trade in motor oil	9.9	124.4	11.2	124.4
Retail trade, except trade in cars and motor oil	54.0	109.5	52.6	107.9
Repair of household appliances and individual supplies	0.2	96.7	0.2	96.5

Source: NSC KR

Brief summary of the consumer commodities pricing mechanism survey in the Kyrgyz Republic

In July-August 2011 surveyed the pricing mechanism of consumer commodities in the Kyrgyz Republic. The study evaluated the chain of commodities movement from the manufacturer (importer) - mediator - to the consumer, including the mechanisms of price premiums for a particular product.

The highest premiums to wholesalers form the producers of cement, milk / dairy products and clothing and shoes - the allowance exceeds 20 percent of product cost. The highest charges for retail customers form the producers of milk / dairy products - more than 64 percent of the cost.

The lowest allowances form the manufacturer of vegetable oil – for wholesale cost of about 5 percent, for retail customers – 7.4 percent of the cost.

As for the commodities imported into the country, there are the highest form premium importers of clothing and shoes - about 40 percent of the cost of production, liquefied natural gas - 30 percent and confectionery products - 29 per cent of the cost price. The lowest premiums according to the survey form the fuel importers - 2 percent of the cost. It should be noted that the method of determining the cost for each item is different.

1.2. Monetary trends

Monetary base

As of January 1, 2013, the monetary base amounted to 64.5 billion KGS, having increased in 2012 by 17.7 percent or 9.7 billion KGS (in 2011 the growth amounted to 12.8 percent). The growth in the monetary base was affected by the operation of the Government, which increased it by 12.3 billion KGS. The operations of the National Bank reduced the monetary base by 2.6 billion KGS.

For comparison: in 2011 an increase of the monetary base amounted to 6.2 billion KGS. The operations of the Government increased the monetary base by 14.6 billion KGS, and the operations of the National Bank reduced the monetary base by 8.4 billion KGS.

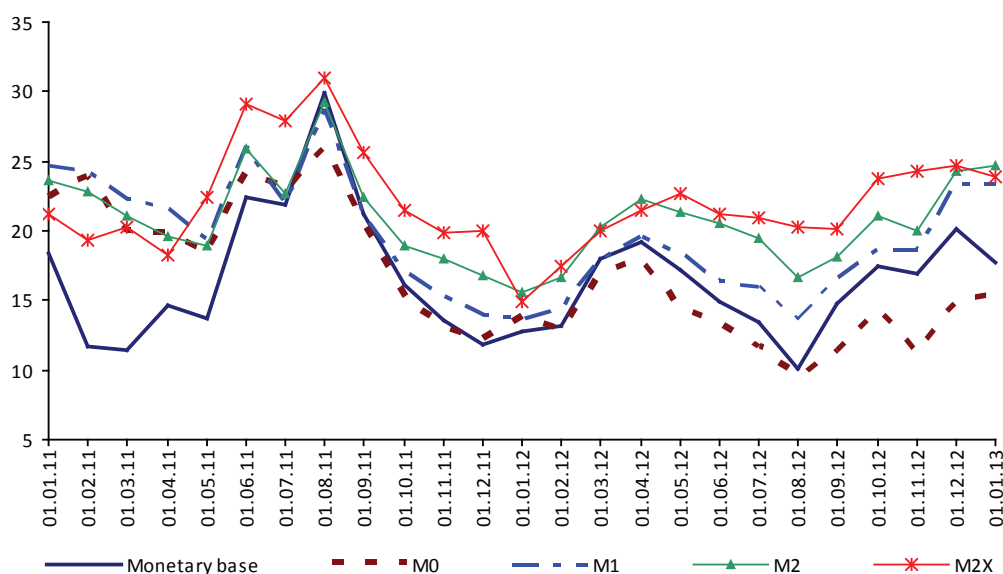
Taking into account the growth in inflationary pressures and increasing budget expenditures, the National Bank in order to limit the monetary component of inflation has increased the volume of operations in the open market: the National Bank notes volume in circulation has risen from 1.4 billion KGS at the beginning of the year to 3.1 billion KGS at the end of 2012; the volume of REPO transactions increased from 0.2 billion KGS at the beginning of the year to 0.8 billion KGS in late 2012.

At the end of 2012 currency in circulation increased by 16.8 percent and amounted to 58.2 billion KGS (end of 2011 – 15.2 percent).

M2 Aggregate

Money stock M2 (M0 + KGS deposits) on January 1, 2013 amounted to 77.5 billion KGS, having increased in 2012 by 24.7 percent (in 2011 the growth constituted 15.6 percent). The components of the monetary aggregate M2 changed as follows: money outside of the banks (M0) increased by 15.5 percent, and the KGS deposits - by 53.9 percent, including transferable deposits (on demand) - by 61.4 percent and time deposits by 39.8 percent.

Chart 1.2.1. Annual Nominal Growth Rates of the Monetary Aggregate
(percent)

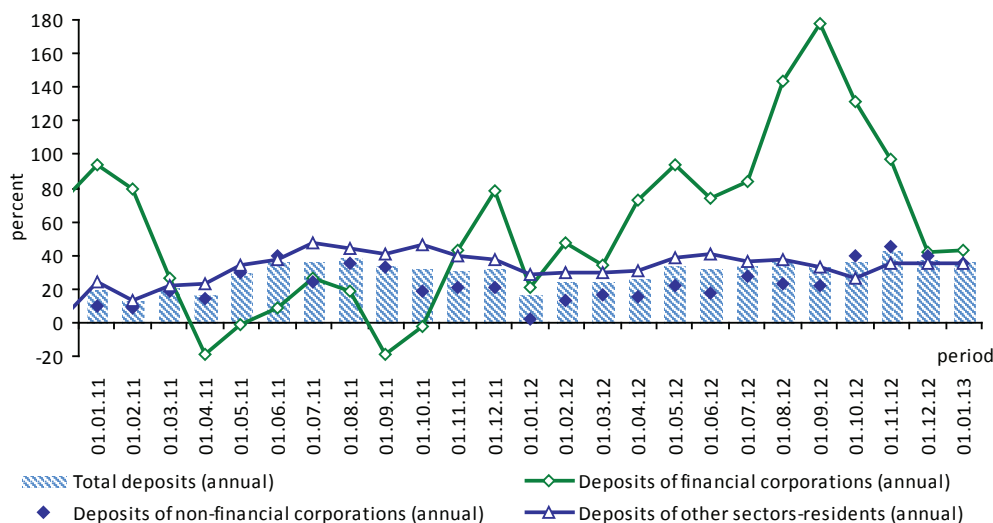


M2X Aggregate

The volume of M2X broad money (M2 + foreign currency deposits) on January 1, 2013 amounted to 98.5 billion KGS having increased in 2012 by 23.8 percent (in 2011 the growth M2X was 14.9 percent). The total amount of deposits, included in the definition of broad money M2X increased by 36.1 percent, including deposits in foreign currency increased by 20.8 percent, and KGS deposits - by 53.9 percent (in 2011 the growth of money outside of the banks by 13.9 percent, and total deposits – 16.5 percent).

In the context of the sectoral components of the broad money M2X deposits of financial corporations were growing faster, the growth of which was 42.9 percent as per results of 2012. Deposits from the non-financial corporations and deposits of other resident sectors increased by 35.7 percent for the period.

Chart 1.2.2. Nominal Growth Rates of the Commercial Banks Deposits
(year on year)



At the end of 2012 the structure of money M2X changed as follows:

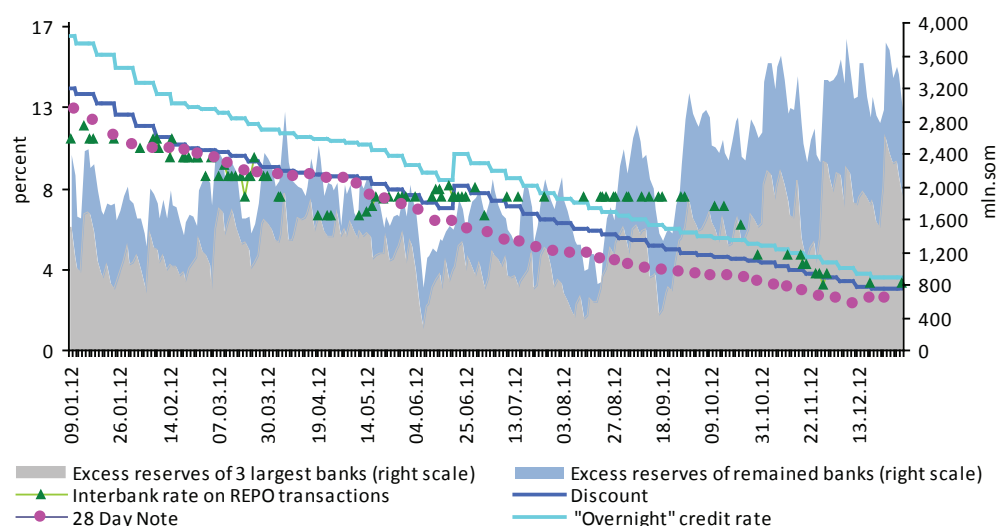
- share of money outside of the banks decreased from 59.4 to 55.4 percent;
- share of KGS deposits increased from 18.7 to 23.3 percent;
- share of foreign currency deposits declined from 21.9 to 21.3 percent.

The multiplier of M2X broad money characterizing the degree of financial intermediation has increased over the period from 1.451 at the beginning of the year to 1.527 at the end of 2012.

As a result the growth of the broad money against the economic downturn monetization rate of the economy calculated by the money aggregate M2X increased from 26.5 percent at the beginning of the year to 29.0 percent at the end of 2012. Accordingly, the rate of the broad money M2X decreased from 3.8 at the beginning of the year to 3.4 at the end of 2012.

In January-December, 2012 in the financial market showed preservation of the basic trends of the end of 2011 was influenced by the absence of significant fluctuations in the excess liquidity in the banking system as a whole. At the same time, in the period under review was marked growth in the demand for borrowings on the part of individual market participants, which, in turn, was reflected in the growth in activity of the internal market of interbank loans. In the face of persistent dynamics of declining profitability in all segments of the government securities market, strong demand from investors continued to use the most profitable securities with a maximum maturity of the duration.

Chart 1.2.3. Dynamics of Monetary Market Rates
(percent)



Compared with the result of 2011 in 2012, the total volume of loans increased by 26.3 percent to 7.7 billion KGS. A significant growth was observed in the normal credit transactions in local and foreign currencies and for repo transactions, which increased by 16.1 percent and stood at 5.9 billion KGS. Along with this,

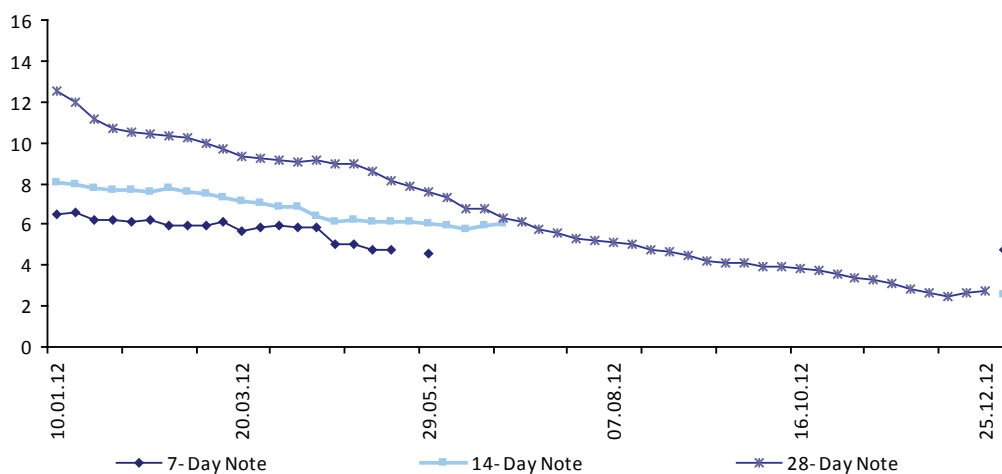
the size of usual KGS loans also increased by 21.2 percent to 12.2 billion KGS. In the reporting period the weighted average of interest rate for repo transactions decreased by 1.7 percentage points to 7.7 percent, for credit transactions in KGS - by 1.4 percentage points to 7.7 percent.

The total volume of transactions in foreign currency in the domestic interbank market of credit resources totaled 391.2 million KGS with an average interest rate of 1.6 percent per annum.

At the end of December 2012 the discount rate was 3.2 percent, having decreased for the year by 10.4 percentage points. As a result, the rate of “overnight” credits also decreased, amounting on the average for the year of 9.1 percent, while the volume of credits granted for the period of the “overnight” to 4.9 billion KGS.

As before, the greatest interest benefitted from to the most profitable 28 Day Note; as a result in the second half year of 2012 until the end of December, they were the only type of securities presented in the basket sales. The total amount of the announced issue was 31.2 billion KGS, having increased by 0.3 percent compared to the same period in January-December 2011.

Chart 1.2.4. Dynamics of the NBKR Notes Yield
(percent)

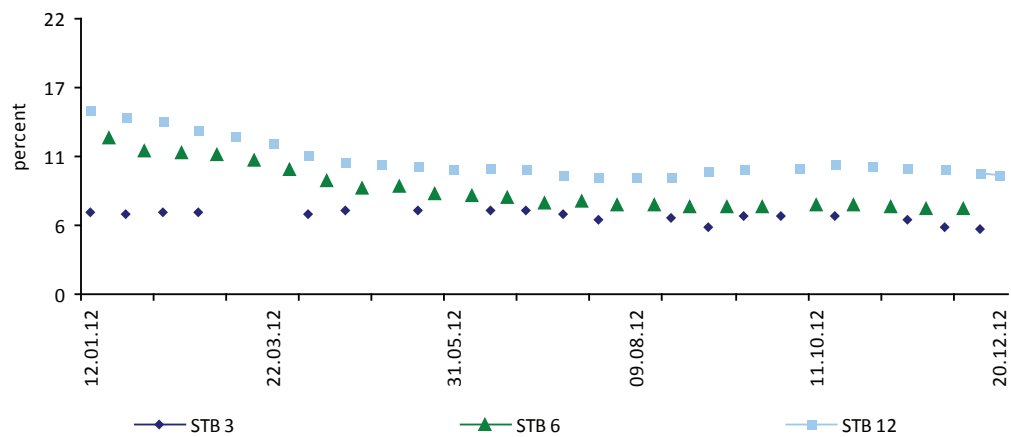


In the reporting period the volume of announced issuance of ST-Bills was 4.9 billion KGS. Cumulative sales of ST-Bills in January-December 2012 increased compared to the same period of 2011 by 45.3 percent to 4.8 billion KGS. For increased sales helped the growth of the announced issue generated mainly by increasing the supply of the most attractive from an investment point of view of 12-month securities. The monthly average yield on securities decreased to 9.9 percent (-5.7 percentage points) due to declining profitability in the segment 3 -, 6 - and 12-month ST-Bills by 1.9 percentage points and 4.5 percentage points, 6.1 percentage points, respectively.

In January-December 2012 was held thirteen auctions of ST-Bills, which in total was placed by securities amounting to 2.6 billion KGS, which was for 2.6 times higher than the similar index in 2011. Demand for two-year treasury bonds was

still supported mainly by the activity of the dominant investor represented by one of the major commercial banks that somewhat increased the quantitative indicators of the presence in the market compared with 2011. In addition, a significant contribution to the achievement of the established on the basis of 2012 sales figures were made to one of the institutional investors were active in the ST-Bills since 2 quarter of 2012. The increased activity of the market against the increased volume of securities emission followed by a decrease in the average interest rate of 2.6 percent to 14.9 percent.

Chart 1.2.5. Dynamics of ST-Bills Yield (percent)

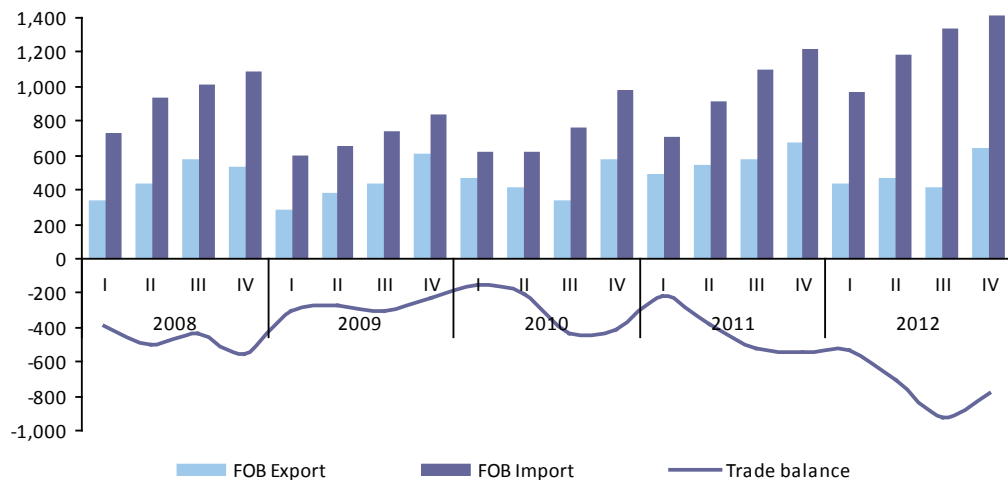


1.3. External economic conditions¹

According to preliminary data, the deficit of trade balance of the Kyrgyz Republic in 2012 was at the level 2,946.4 million USD, having increased by 77.0 percent, in the fourth quarter of 2012 compared to the same period of 2011 the trade balance grew by 43.0 percent and constituted 777.5 million USD.

The external turnover in the reporting period amounted to 2,051.0 million USD, which exceeded the rate of the last year by 8.6 percent.

Chart 1.3.1. Foreign Trade



¹ According to NSC KR and SCS KR with regard to final appraisal NBKR, unless otherwise stated.

Exports of goods (in FOB prices) in 2012 amounted to 1 950.8 million USD, having decreased by 14.1 percent, in the fourth quarter of 2012, export of goods amounted to 636.7 million USD, having decreased by 5.3 percent compared to the corresponding figure in 2011. During the reporting quarter, the volume of exports of gold recovered, bringing the share of this item in total exports increased to 40.6 percent (by 5.9 percent or 14.3 million USD in absolute terms). The growth was due to growth in both the physical volume of deliveries (for 5,3 percent) and export prices (for 0.5 percent). In addition, there was the growth in the supply of vehicles for the transport of goods and special purpose vehicles, ores and concentrates of precious metals, jet fuel (export of aircraft stores), clothing and garments, etc. Along with this, there was recorded decrease of supply of electric current, cotton, gasoline, manual and machine instruments, etc. Thus, exports excluding gold declined by 11.7 percent to 378.3 million USD.

During the reporting period the shares of the main groups of exported goods had undergone little changes. Due to growth of the value, the share of investment commodities increased from 6.0 to 10.9. The share of raw materials and consumer goods grew, making 6.7 and 18.7 percent respectively at the reporting quarter. The share of other groups in total exports decreased.

The volume of exports of consumer goods was increased by 3.8 percent to 109.6 million US Dollars. Supplies of non-food goods increased by 10.5 percent, while the export of food products decreased by 1.5 percent.

Reduction in the supply of food products was mainly due to the decrease in the value of exports of dairy products (by 74.2 percent or 2.7 million USD) due to lower physical volume of deliveries by 63.7 percent to the decline in export prices by 29.1 percent. In this case, due to the growth in export prices by 32.0 percent while reducing physical volume of deliveries by 12.9 percent, there was the growth of the value of the export of fruits and nuts (by 14.9 percent or 1.9 million USD).

In the structure of non-food products, the growth in export was due to such commodity items as garments and clothing accessories (up by 21.6 percent or 5.7 million USD) and electric bulb (up by 1.9 percent or 0.1 million USD, due to the growth in export prices by 43.3 percent at lower volumes by 28.8 percent). At the same time, there was a decrease in the supply of used cars, by 18.7 percent or 0.3 million USD, which occurred at the expense of the physical volume of deliveries by 60.3 percent with the growth in the actual export prices by 2.0 times.

Imports of goods in FOB prices on preliminary results of 2012 amounted to 4 897.2 million USD, the growth of 24.4 percent, in the reporting quarter of 2012, imports increased by 16.3 percent and amounted to 1 414.2 million USD. Dynamics of import were defined by the supplies of petroleum products, increased by 39.8 percent or 109.5 million USD, growth the physical volume of deliveries by 31.2 percent with the growth in export prices by 6.6 percent.

Significant contribution to the growth in the volume of imported commodities also made medicines, vehicles for transportation of goods and special purpose vehicles, iron and steel, etc. Along with this, there was a decrease of import cars, used, aircrafts, electrical line telephones, etc.

In the functional structure of imports during the reporting period there was an increase in the share of almost all groups due to growth of cost volume. Consumer products group was the only one where there was the decrease of the cost value of imports, so that the share fell to 31.6 percent.

In the reporting quarter, imports of consumer goods reached a volume of 482.6 million USD (down to 2.8 percent). The decrease was due to lower supplies of non-food products by 8.1 percent, while the supply of food products rose by 7.2 percent.

In the structure of food products, as a result of growth of 27.5 percent along with the growth in import prices by 18.0 percent, increased imports of other food products (up by 50.5 percent or 5.1 million USD). The increase in price by 34.0 percent while reducing the physical volume by 7.9 percent led to an increase in the value of imported meat and meat products by 23.4 percent (or by 4.0 million USD). At the same time, reduction in the physical volume of import by 47.3 percent and prices by 8.5 percent lowered the value of imports of sugar 51.8 percent (or by 8.1 million USD).

As a part of non-food items, by the growth of actual export prices by 70.1 percent with the growth in the actual volume of deliveries by 14.1 percent, observed the growth in imports of medicines by 94.1 percent or 35.1 million USD. Also, the increase in physical volume of 29.1 percent and import prices by 4.4 percent attributed to the growth of the cost value of the supply of cigarettes by 34.8 percent (or 3.8 million USD). At the same time, reducing the physical volume of deliveries by 63.4 percent against falling prices by 1.1 percent resulted in the reduction of the value of imports by 63.8 percent (or for 73.8 million USD).

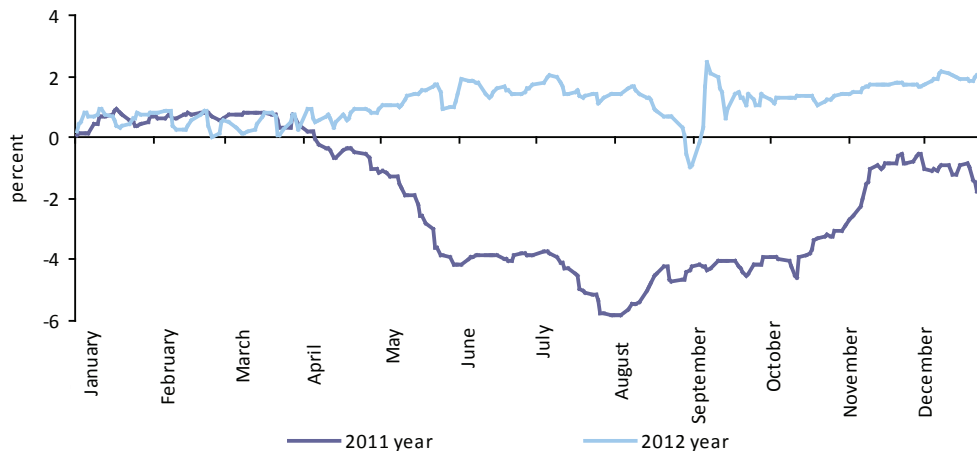
1.4. Exchange rate

Overall in 2012 it was noted that the trend growth of the USD exchange rate. Growth in the average discount rate of USD for the year was 1.9 percent. In August 2012 there was some decrease in the exchange rate, mainly due to increased inflow of money transfer systems, as well as increasing the current payments. A significant growth in the USD exchange rate was also noted in September, when its value increased to 47.1484 KGS per USD at the end of the month. The key reasons for maintaining demand for USD in January-December was the preservation of operations of the banks for import contracts services of the customers, including for the supply of fuel and consumer products, as well as repayment of foreign credits from the microcredit companies.

The continued stability of the foreign exchange market in the period under review has allowed the National Bank to continue its policy of reducing the presence

of the foreign exchange market in accordance with the stated objectives of the monetary regulation. In the reporting period, foreign exchange interventions of the NBKR were carried out in the amount of 43.1 million KGS (in the same period in 2011 intervention were 281.2 million KGS).

Chart 1.4.1. Rates of Change of the USD Discount Rate (percent)



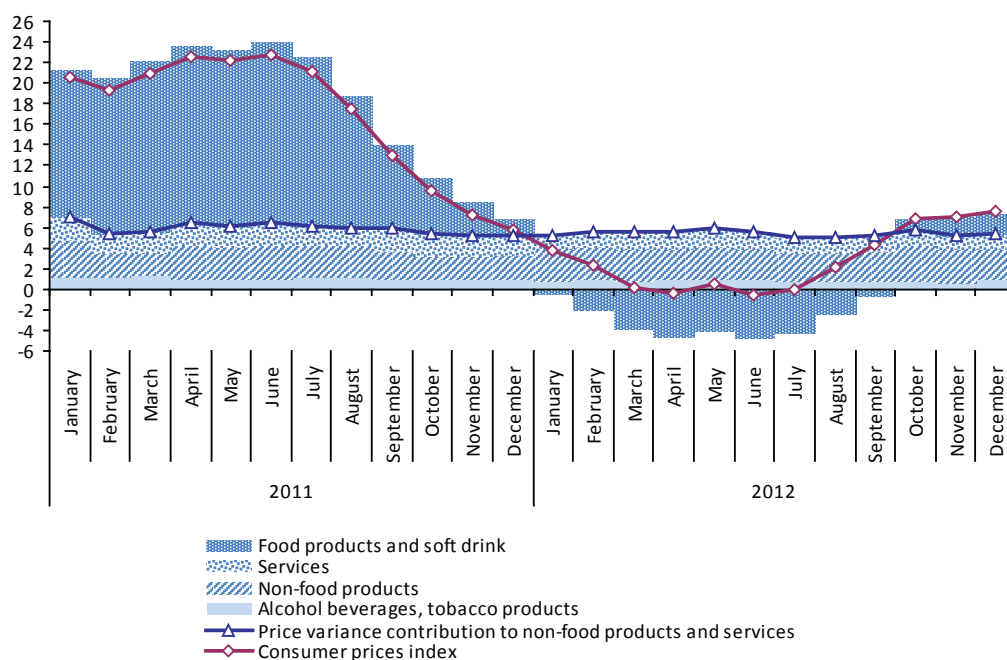
Chapter 2. Inflation and its Components

2.1. Consumer Price Index Development

According to the National Statistical Committee of the inflation component in 2012 (December 2012 to December 2011) was 7.5 percent, including in December compared to November 2012, prices rose by 1.5 percent.

Consumer prices in 2012 were influenced by food prices. Thus, in the first half year of 2012, prices for food products group declined against high yields of the major crops in 2011-12 MY (July 2011 - June 2012). In the second half year of 2012, the acceleration of growth in food prices due to the negative of the expected corn crop estimates in 2012-13 MY, both in the world and in the republic.

Chart 2.1.1. Annual Dynamics of CPI and Contribution of its Components
(percent)



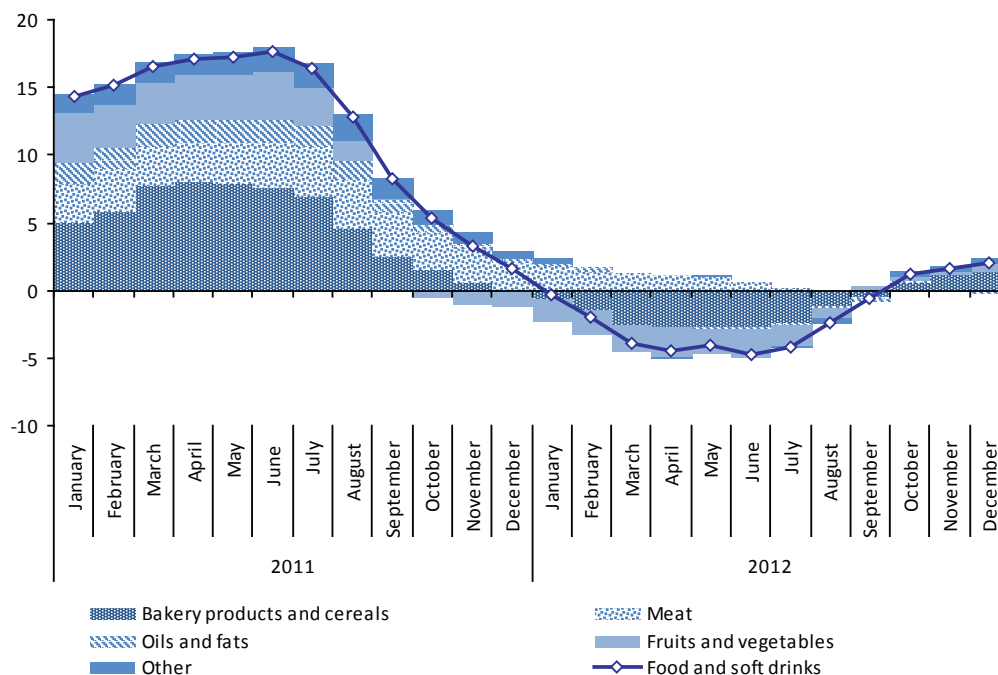
In the fourth quarter of 2012, the food prices grew by 4.3 percent. The key contribution to the growth in consumer prices during this period contributed the largest component of inflation – food products. Rising food prices in the fourth quarter of 2012 was a continuation of the reaction of the domestic market of Kyrgyzstan on the world prices increase.

2.2. Dynamics of Prices for Food Products

Food products prices in annual terms up to December 2012 increased by 4.5 percent in 2011, rising food prices was 3.5 percent. The largest contribution to the volatility of food products prices traditionally brings the bakery products and cereal group of commodities, this product group was most affected by the price of world commodity markets.

High dependence of domestic prices for food products on the dynamics of the world prices, largely due to the high food import-dependent economy of Kyrgyzstan. Thus, according to NSC KR in January-September 2012, the share of imports in consumption of bakeries was 67.7 percent, the share of imports in the consumption of wheat and products of its processing was 71.3 percent, imports of vegetable fats in consumption was 64.7 percent, on sugar imports was fully supported.

Chart 2.2.1. Contribution Dynamic of Price for Food in the Annual CPI
(percent)

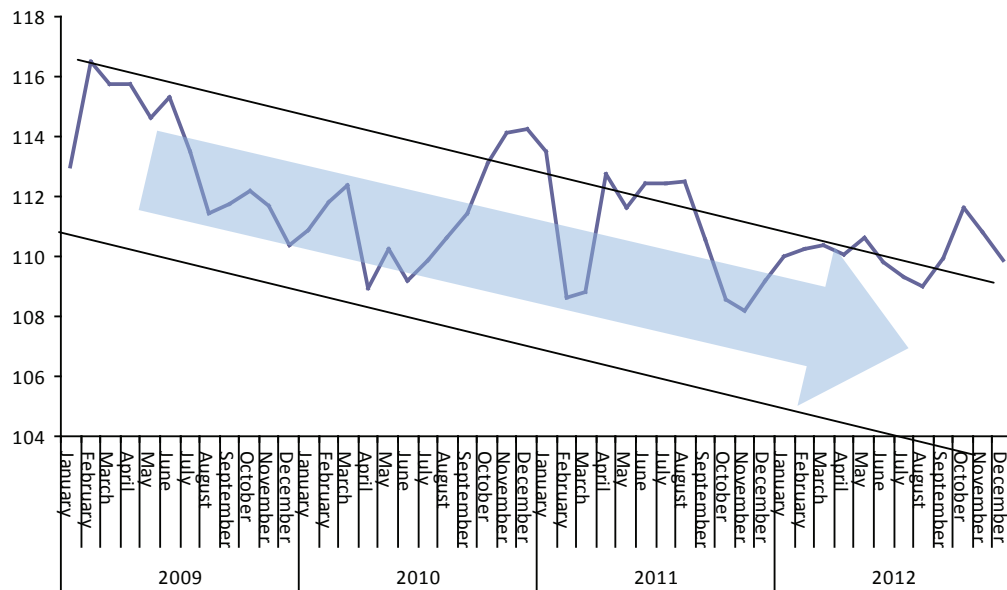


In the fourth quarter of 2012 the food products prices increased by 5.7 percent, which was due to the growth in prices for bakery products against raising the world prices and seasonal growth in prices for fruits and vegetables.

2.3. Dynamics of Prices for Non-Food Products

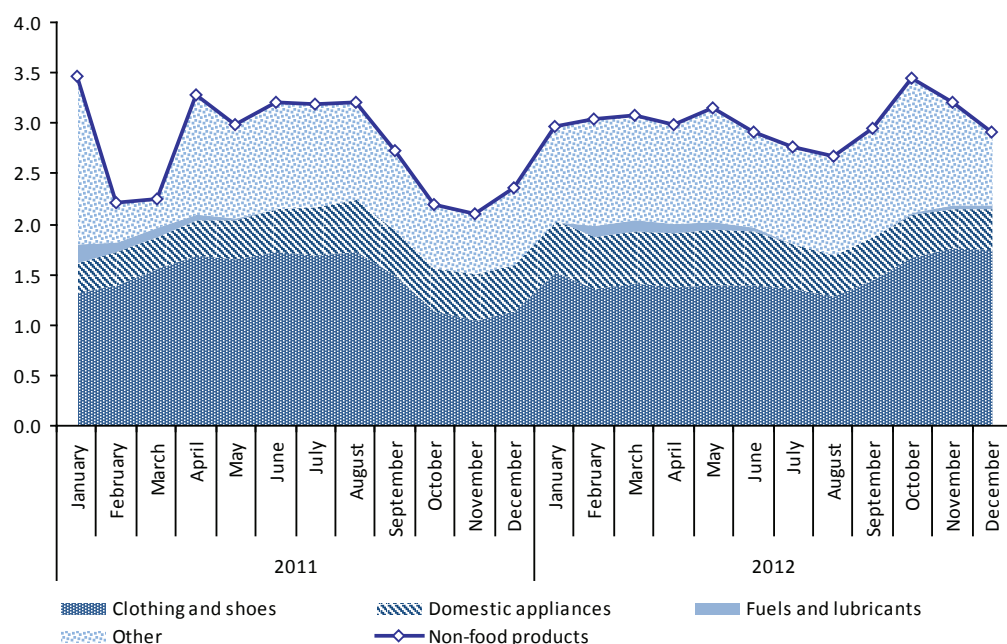
Increase in the price index for non-food goods in annual terms amounted to 9.8 percent. Growth rates of non-food products in recent years remained relatively stable, with the rise in prices for non-food products every year is slowing, which may indicate a lower monetary component of price growth in the economy of Kyrgyzstan.

Chart 2.3.1. Dynamics of Prices for Non-Food Products
(year on year)



The largest contribution to the rise in prices of non-food products in 2012 made the group of goods “clothing and shoes”, which rose in price by 15.9 percent, growth prices for electricity, gas and other fuels and lubricants was 3.9 percent, household items and appliances have increased in price by the end of December 2012 to 9.9 percent. The cost of fuels and lubricants in annual terms raised by 2.3 percent, including the price of gasoline rose by 2.0 percent, the price of diesel fuel rose 6.8 percent. In the fourth quarter of 2012, prices of fuels and lubricants products rose by 3.4 percent, including diesel fuel rose by 3.6 percent and diesel fuel price increased by 1.3 percent.

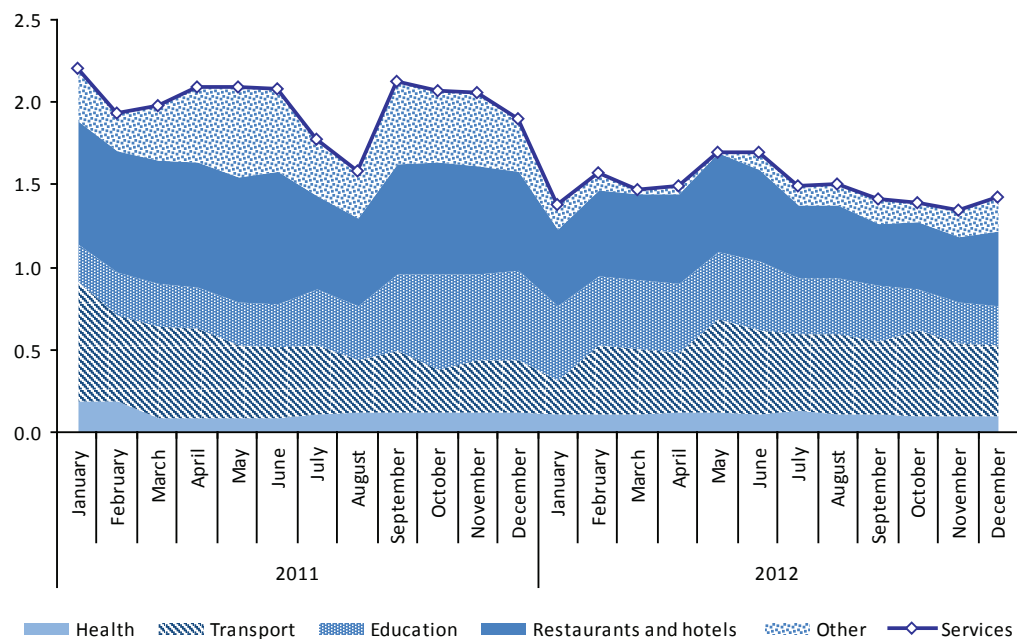
Chart 2.3.2. Dynamics of price contribution for non-food products in the annual CPI
(percent)



2.4. Dynamics of Prices for Services

The price index for paid services grew in 2012 by 9.8 percent (in 2011 – 11.1 percent). The index growth in this group occurred mainly due to the rise in price for services of restaurants and hotels by 15.8 percent, educational services (+8.5 percent) and transport services (+7.2 percent). Health services became more expensive by 10.0 percent.

Chart 2.4.1. Dynamics of price contribution for services in the annual CPI (percent)

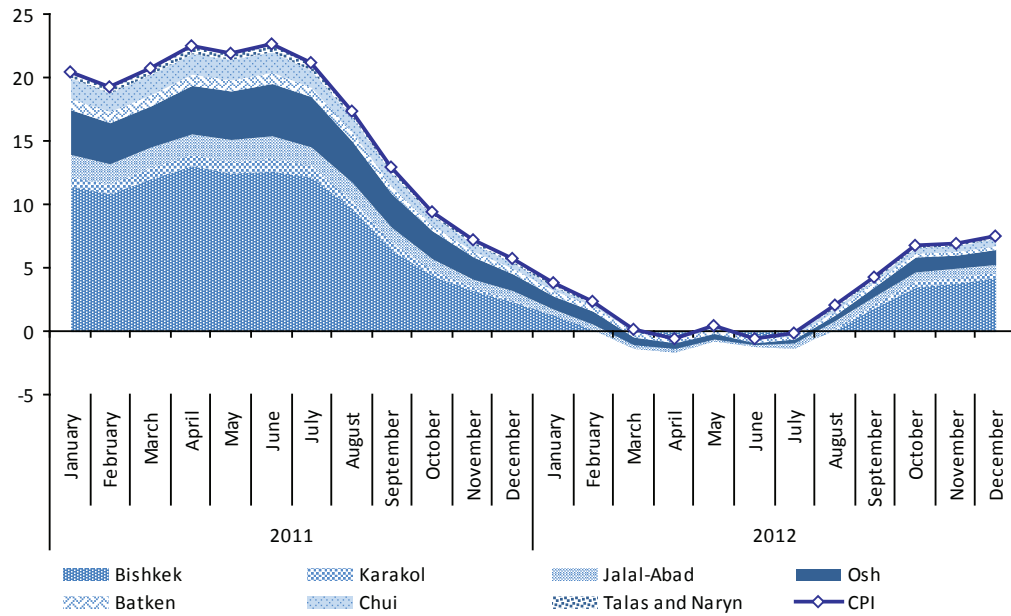


2.5. Dynamics of Consumer Price in Regions

At the end of 2012, consumer prices in the regional context have changed irregularly. So, in Batken and Osh oblasts prices rose by 8.6 and 8.5 percent, respectively, in Jalal-Abad oblast - by 8.9 percent, in Talas oblast - by 5.4 percent, in Naryn – 10.3 percent. In Chui oblast prices rose by 5.9 percent in Issyk-Kul oblast, the price index rose by 9.8 percent.

In Bishkek, consumer prices rose by 7.0 percent, while prices for food products rose by 3.5 percent, alcoholic and tobacco products increased in price by 8.4 percent, non-food products - by 9.8 percent and paid services – 9.7 percent.

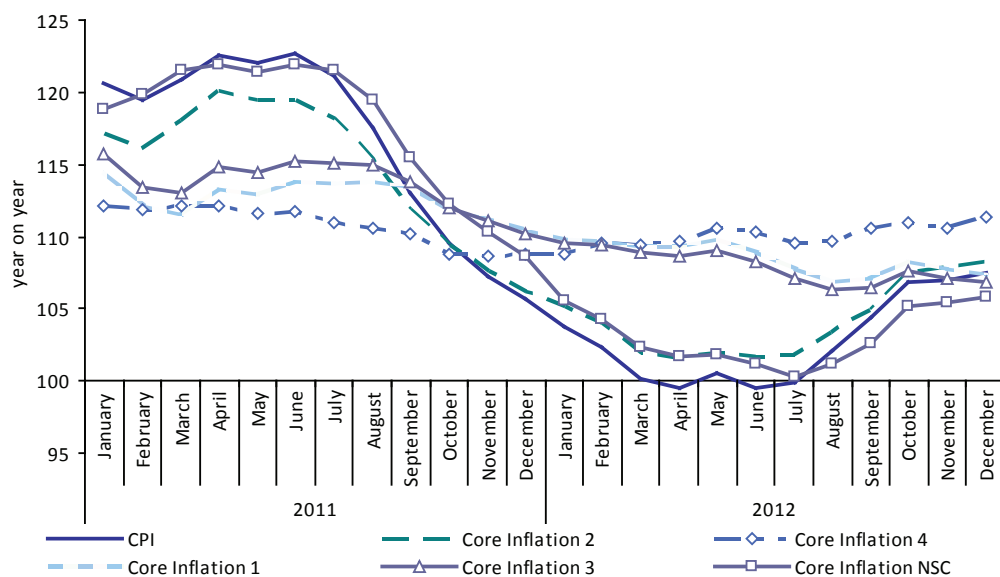
Chart 2.5.1. Regional Structure of the Annual Inflation (percent)



2.6. Core inflation

The annual value of the core inflation calculated by the method of the NSC KR by results of 2012 was 5.9 percent, while the “crude” inflation was 7.5 percent. It should be noted that the graphical representation of core inflation indicator 4 (which completely excludes food products, electricity, gas and other fuels and lubricants), indicates that the determining factor for the dynamics of consumer prices in the republic are the emerging trends in the food market. Core inflation index 4 has a stable dynamics and a small dispersion of values.

Chart 2.6.1. Annual Dynamics of the Estimated Core Inflation Indicator



Core inflation 1 - excluded the following types of goods: (1) bakery products and cereals, (2) oils and fats (3) fruits and vegetables (4) gas, (5) materials for repair and construction.

Core inflation 2 - excluded the following types of goods: (1) meat (2) fruits and vegetables, (3) gas, (4) materials for repair and construction.

Core inflation 3 – excluded the following types of goods: (1) bakery products and cereals, (2) dairy products, (3) fruits and vegetables, (4) gas, (5) materials for repair and construction.

Core inflation 4 – completely excluded food products and electricity, gas and other types of fuels.

Core inflation NSC - excluded the following types of goods: milk, sugar, certain types of fruits and vegetables, alcoholic and tobacco production, fuels and lubricants, commodity group “electricity gas and other types of fuels”, passenger transportation services, communication services and some others.

Chapter 3. World commodity markets survey

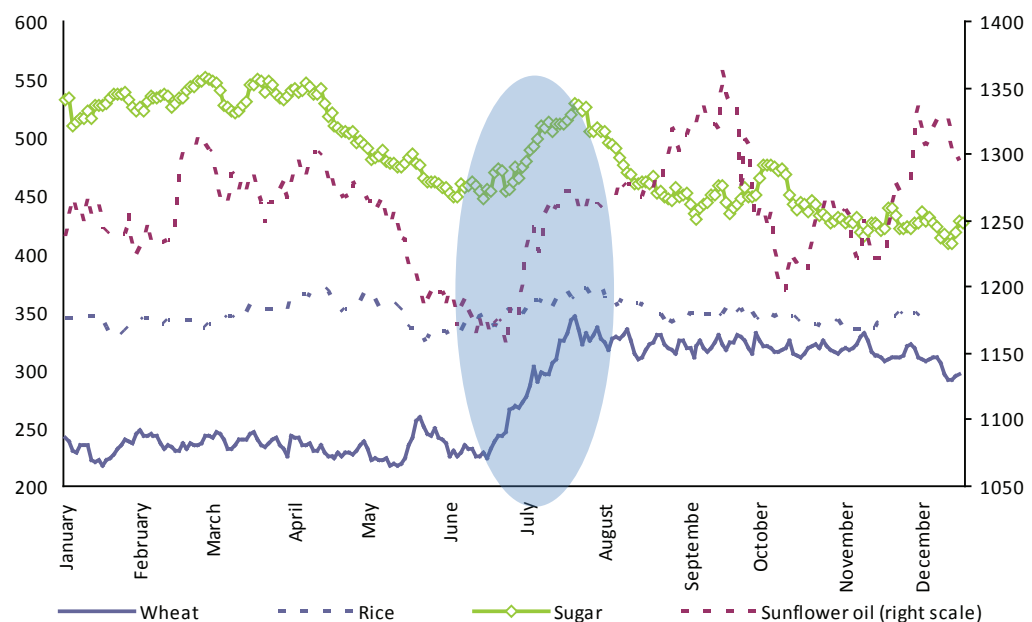
3.1. Survey of the World Commodity Markets

Dynamics of the world prices for food products in 2012 had a significant impact on inflation in Kyrgyzstan. In the first half of 2012 high yield crops developed in 2011-12 MY in the producer countries formed the excess of supply which stimulated the decline in the world commodity markets. Thus, the price index of food products imports in Kyrgyzstan following the first half year of 2012 decreased significantly, resulting in lower inflation.

In the second half year of 2012 prices in the world commodity markets have risen significantly on negative climatic conditions in the producer countries of agricultural production emerging in the early 2012-13 MY (June-July 2012). So, for three summer months the price of wheat increased by more than 30 percent, corn has risen by more than 50 percent.

Planned growth of prices in the world markets has affected on the inflation in Kyrgyzstan in September and October 2012, when the consumer price index rose by 1.1 and 1.8 percent respectively.

Chart 3.1.1. Dynamics of the Food Products Process in 2012
(USD per ton)



The biggest impact on the inflation in Kyrgyzstan has the world prices dynamics for wheat, since the largest share (about 15 percent of the total basket) of all food products occupy the bakery products, in addition, more than 60 percent of its bakery products imported in Kyrgyzstan.

As for the forecast of the dynamics of prices for wheat, in the opinion of experts, the high volatility of prices in the agricultural markets will continue in 2013. Prices for wheat and corn in the first quarter of 2013 may rise. High prices will

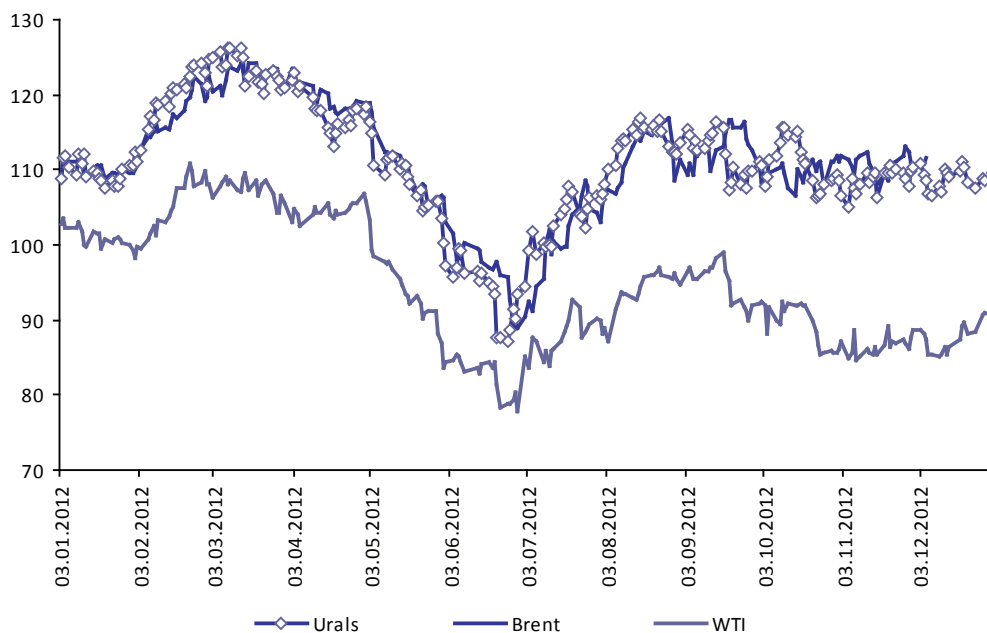
encourage farmers to expand crop areas, therefore, the expected growth in the gross grain harvest will result in the second half of 2013, declines in the world prices. The key obstacle to this scenario is the risk of prolonged drought in the USA in the next agricultural season (2013-14 MY).

3.2. Survey of the World Energy Market

World energy prices in 2012 were characterized by significant volatility during the year. In the first quarter of 2012, oil prices were soared. The key factors that supported the price growth during this period were disruptions to oil supply due to the unstable political situation in the Middle East. By mid-2012 low business activity in the USA, Europe and China have led to a rapid decline in the world demand and oil prices. However, against the disruptions to oil supply from the North Sea and the ongoing conflict in the Middle East in August prices in the world markets have increased significantly. The world oil prices dynamics was affected by the unstable economic situation in the Eurozone, economic growth in China, the launch of the third phase of the USA quantitative mitigation program and uncertainty about the “ceiling” of the USA government debt. Prices for basic grades (Urals, Brent, WTI) in 2012 fluctuated between 77.72 – 129.9 USD per barrel. The average price of oil of brand “Brent” in 2012 stood at 112.5 USD, which was 0.3 percent higher than in 2011.

Chart 3.2.1. Dynamics of Prices for Oil in 2012

(USD per barrel)



In early 2012 Kyrgyzstan signed an agreement on duty-free fuel supplies from Russia the amount of duty-free was set at 1 million tones. Supply disruptions and shortages of fuels and lubricants in the first quarter of 2012 was not observed, but on the eve of the spring sowing campaign in Kyrgyzstan, diesel fuel prices rose sharply, this growth was due to the seasonal demand for fuel and lubricants products, as well as lack of fuels and lubricants due to lower imports from Russia.

As part of the unscheduled summit of the CIS countries, Russia and Kyrgyzstan have agreed to growth the amount of fuel imported in Kyrgyzstan, for 30 percent. This growth was due in the first place by the planned construction of facilities of the Kyrgyz-Russian hydroelectric stations on the Naryn River.

In line with analysts' forecasts of the market in the first half year of 2013, oil prices will tend to some increase. The key drivers of growth in oil prices will be the economic growth recovery in China, the problems solution associated with the restriction of the state debt in the USA, to overcome the debt problems in the Eurozone. In general, experts expect the estimated average oil price in the range of 100-110 USD per barrel.

Chapter 4. Monetary Policy Decisions of the National Bank of the Kyrgyz Republic

4.1. Major decisions of the NBKR Board

The list of basic monetary policy solutions of the Board of the National Bank of the Kyrgyz Republic taken in the fourth quarter of 2012 is presented below:

1. November 14, 2012 in order to regulate the process of credit auctions to refinance by the Board NBKR approved the Regulations “On the order of the National Bank of the Kyrgyz Republic of credit auctions to refinance” (Decree No.42/3). Refinancing credit provides the urgency of 1 to 6 months and the National Bank introduced in order to growth range of tools to ensure the liquidity of the banking system. Credit auctions to refinance will enhance the ability of banks to maintain liquidity and crediting to the economy.
2. November 16, 2012 in order to bring the regulations NBKR into line with the Law of the Kyrgyz Republic “On the State Development Bank of the Kyrgyz Republic” the Board NBKR considered and approved the amendments to the “Regulations on the obligatory reserves” (Decree No.43/1). According to the updated edition of the “Regulations on the obligatory reserves” requirements to comply with the obligatory reserves and the process of their performance spread along with the commercial banks as well and the State Development Bank.
3. November 29, 2012 to assess the current situation in the monetary sphere and economic development analysis, the Board NBKR considered and adopted the report on the monetary policy for January-September 2012 (Decree No.46/1) and approved the monetary program for the coming period. Monetary program identifies key directions of the monetary policy in the short term, as well as indicative parameters for its implementation.

Abridged version of the report on monetary policy for January-September 2012 for information was sent to the Jogorku Kenesh, the President’s Office, the Government Office, the Ministry of Finance and the Ministry of Economy of the Kyrgyz Republic as well as posted on the official website of the NBKR.

4. December 12, 2012 the Board of the National Bank approved the document the “Guidelines for the monetary policy for 2013-2015” (Decree No.48/3), where the analysis of the current economic situation and forecast of the key sectors development identified goals and objectives of the monetary policy for the medium term. In the development of the document took into account the situation in the world financial and commodity markets, both internal and external factors affecting the development of the economy in the medium term; the potential risks; forecasts for the public finance sector, medium-term forecasts of socio-economic development of the Kyrgyz

Republic, forecasts provided by the project Sustainable Development Strategy of the Kyrgyz Republic for 2013-2017, Memorandum of Economic and Financial Policies for 2011-2014.

The document for information was sent to the Jogorku Kenesh, the President's Office and the Government Office of the Kyrgyz Republic as well as posted on the official website of the NBKR.

5. December 12, 2012 the NBKR Board approved the text of the Statement of the National Bank of the Kyrgyz Republic on the monetary policy for 2013 (Decree No.48/4), which states the quantitative criterion of the monetary policy (inflation) and the highlights of the activities NBKR. The document was sent to the Government Office and the Ministry of Economy of the Kyrgyz Republic for the preparation of the Joint Statement of the Government of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic on the economic policy for 2013.

4.2. Major decisions of the Monetary Regulation Committee

Monetary Regulation Committee (hereinafter - MRC) develops and takes operative decisions in the monetary sphere. The MRC makes decisions every week based on an assessment of the situation prevailing in the money market. In the period under review the volumes of transactions to regulate liquidity in the banking system were defined by the MRC based on the goals and objectives identified by the NBKR Board specified in the Basic Guidelines of Monetary Policy for 2012-2014, the monetary program for the coming period, as well as taking into account the state of the banking system and the situation in the fiscal sphere.

13 meetings were held by the MRC in the fourth quarter of 2013. Regulation of liquidity in the banking system was carried out through weekly auctions of NBKR notes as well as through transactions for the sale of government securities under REPO terms for an additional exemption of excess reserves of commercial banks.

Taking into account the continuing risk of inflation in the country, associated mainly with the operations of the public finance sector, MRC in the fourth quarter increased its notes volume NBKR in circulation at the level of 1.8 billion KGS at the end of September 2012 to the level of 3.1 billion KGS at the end of December 2012 and the volume of GS sold in repo conditions, with 0.5 billion KGS at the end of September 2012 to 0.8 billion KGS in late 2012.

NBKR in the fourth quarter of 2012 as in the previous quarter did not hold foreign exchange interventions in the interbank foreign exchange market, aided by the continued relative stability in the foreign exchange market.

Chapter 5. Inflation forecast

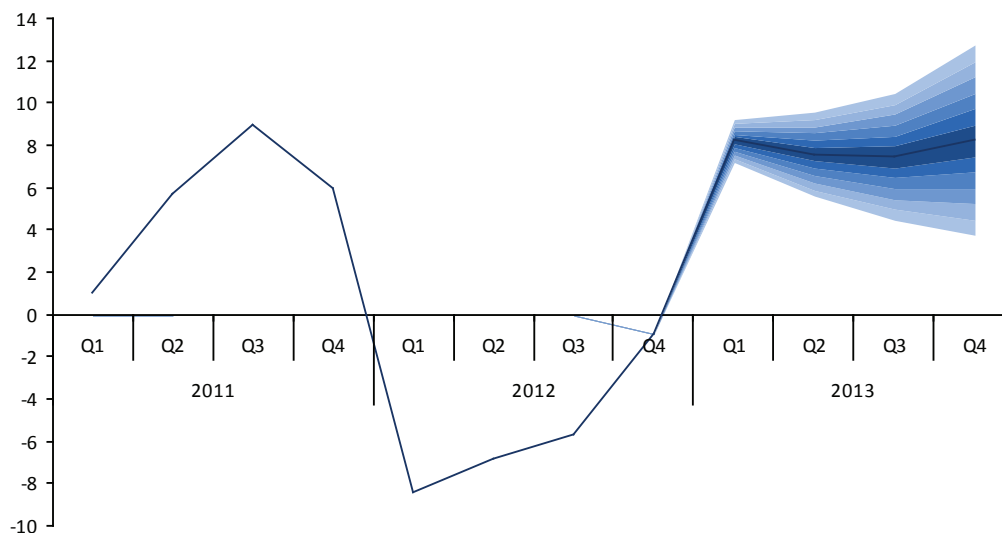
5.1. Forecast of Key Inflation Factor Dynamics

As a result of decline in GDP in 2012 was 0.9 percent, while in 2011 GDP growth was formed at the level of 6.0 percent. The decrease in GDP in 2012 was due to the decline in gold production in the “Kumtor” deposit. Excluding enterprises for the “Kumtor” gold development the GDP growth was 5.0 percent.

Forecast of development of the economy in 2013 was developed with the following assumptions: the preservation of business activity for at least potential level, recovery of the volumes in the “Kumtor” gold mine production to the level of 2011 (550-600 thousand tr. oz)¹, maintaining favorable conditions of trade with country's major trading partners, the favorable climatic conditions for a sustainable development of the rural economy.

Taking into account these factors, the National Bank of the Kyrgyz Republic predicts GDP growth in 2013 at 8.3 percent, GDP deflator stood at 10.0 percent, nominal GDP is expected at 362.4 billion KGS. The key positive contribution to GDP growth will bring industry and trade.

Chart 5.1.1. Forecast of GDP growth
(period on period)



Economic development of Kyrgyzstan in the medium term depends on a number of internal and external factors: the stability of the major sectors of the economy, a stable political situation in the country and the stability of the economies of the major trading partners, which are influenced by the situation in the world commodity markets.

Forecast of the Government of the Kyrgyz Republic approved by the Decision No.613 dated September 12, 2012, provides for GDP growth in 2013 at 7.0

¹ According to the press-release “Kumtor” dated January 15, 2013, in 2013 is expected to develop at the level of 550-600 thousand ounces.

percent, the GDP deflator was forecasted to be within 8.4 percent, nominal GDP was expected to reach 354.4 billion KGS.

Table 5.1.1. GDP forecast by sectors for 2013
(real growth, percent)

	2012		2012	
	fact	forecast NBKR	forecast GKR	
Agriculture	1.2	2.5	1.0	
Industry	-20.6	22.8	17.9	
Construction	17.3	9.0	10.5	
Services	6.2	5.2	5.0	
Net tax on products	-0.9	8.3	7.0	
GDP	-0.9	8.3	7.0	
Deflator, percent	7.4	10.0	8.4	
Nominal GDP, mln.som	304,350.1	362,431.3	354,419.5	

To assess the macro-economic potential of the country is calculated rupture of potential and actual GDP. In 2012 the gap was negative, indicating that in the previous period the economy of Kyrgyzstan the production capacity of the country were not being used to full extent. At the average for the period real GDP was 3.3 percent (GDP excluding the shadow angle) and 2.7 percent (of GDP including the shadow angle) was less than potential GDP.

In 2013 with the preconditions laid down in the baseline forecast of the National Bank of the Kyrgyz Republic, is most likely a positive gap of GDP, economic growth will be provided by the full use of all factors of production.

Chart 5.1.2. Forecast of GDP gap without regard to the shadow angle evaluation
(period on period)

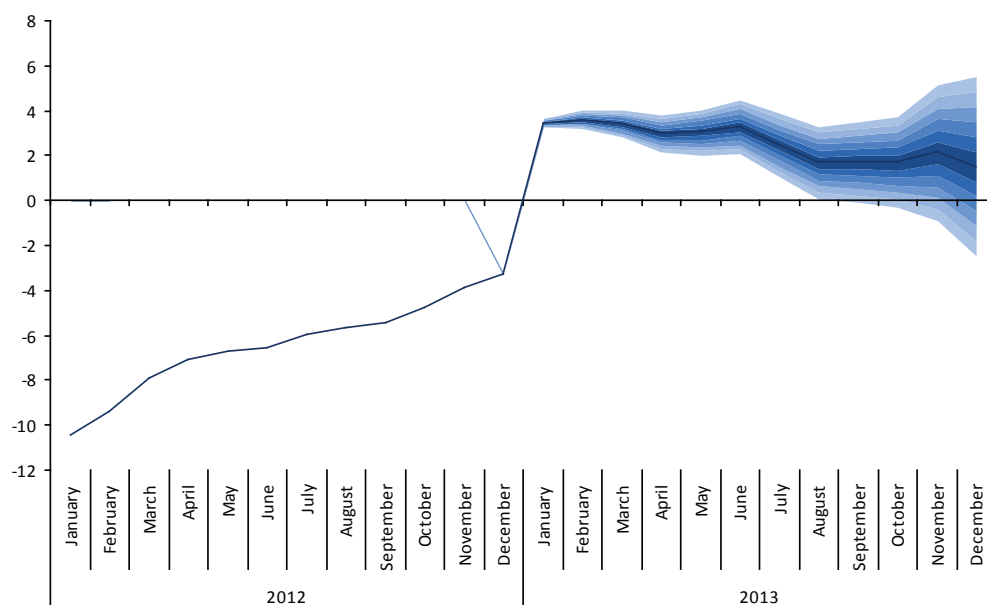
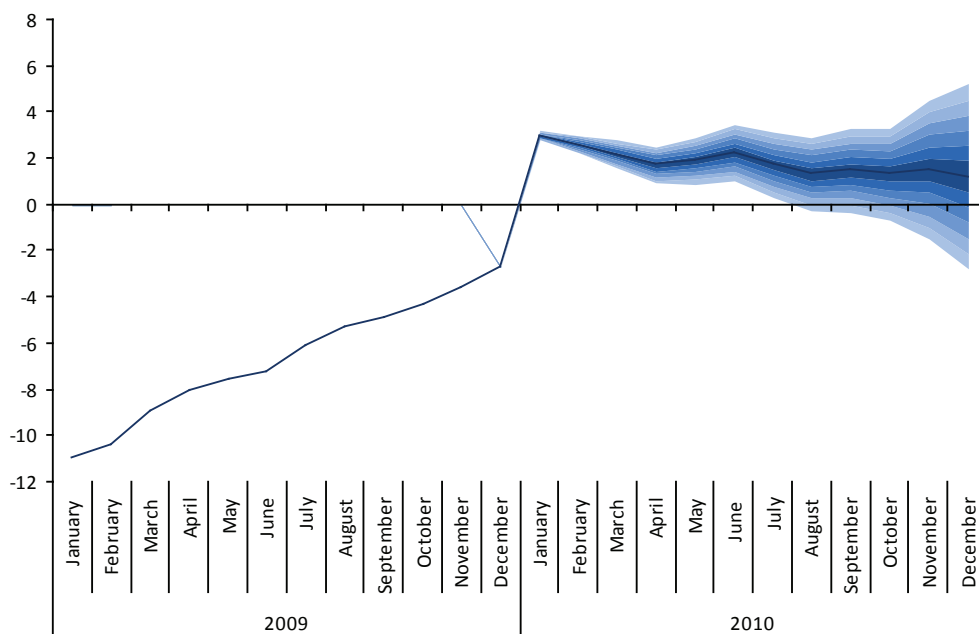


Chart 5.1.3. Forecast GDP gap with regard to the shadow angle evaluation
(period on period)



Forecasts of the National Bank of the Kyrgyz Republic in the real sector in the future will be adjusted according to the new data, expectations, and emerging trends in the economy.

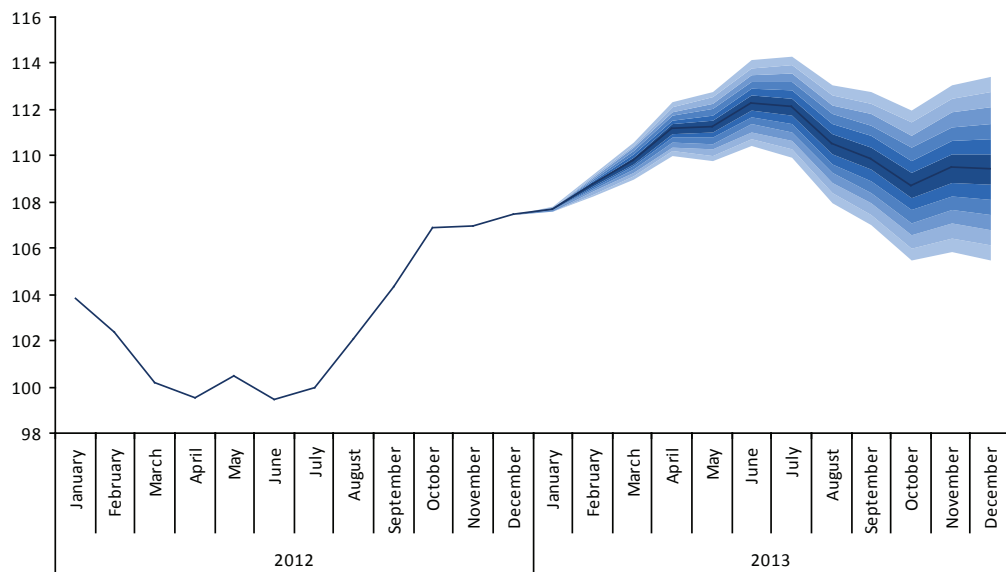
5.2. Inflation forecast for 2013

In 2013 dynamics in consumer prices will develop under the influence of price volatility in the world commodity markets, and the forecast of the dynamics of food products prices into account the risk of adverse harvest of winter crops in 2012-13 MY, which forms the basis of the current inflation forecast.

Dynamics of prices for non-food products and paid services within the last year values: growth of price for this group of commodities is expected to be around 10 percent. In general, the forecast of inflation in 2013 (December 2013 to December 2012) is expected to reach 10 percent.

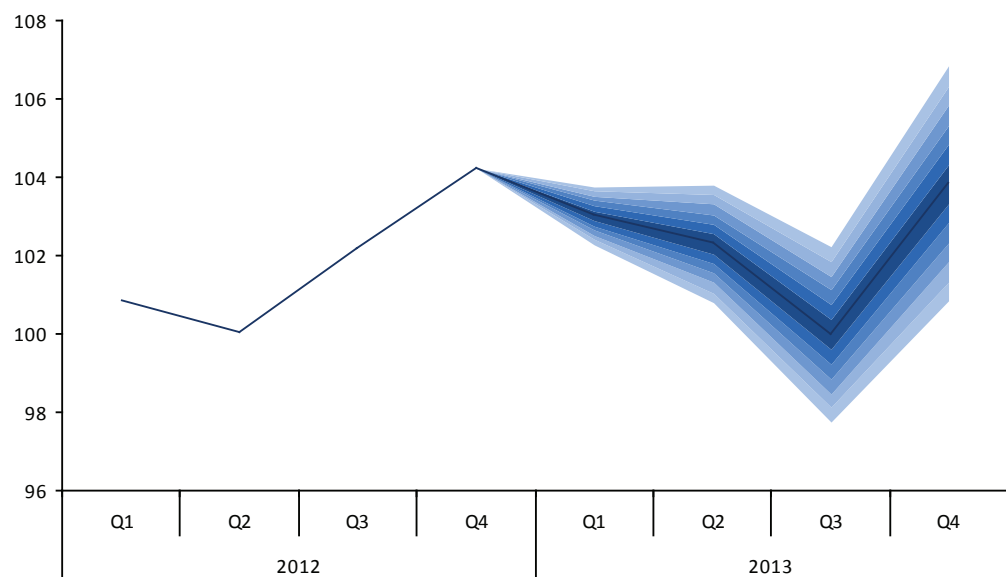
Today's price dynamics in the world commodity markets is stable, and the situation in the world food market remains challenging, the low level of stocks on the key food items may lead to a dramatic change in the dynamics of world prices. Thus, if the forecasts and expectations regarding the collection of winter grain harvest in 2013 will be low, it could trigger a rise in the commodity markets.

Chart 5.2.1. Forecast of the Inflation annual value
(year on year)



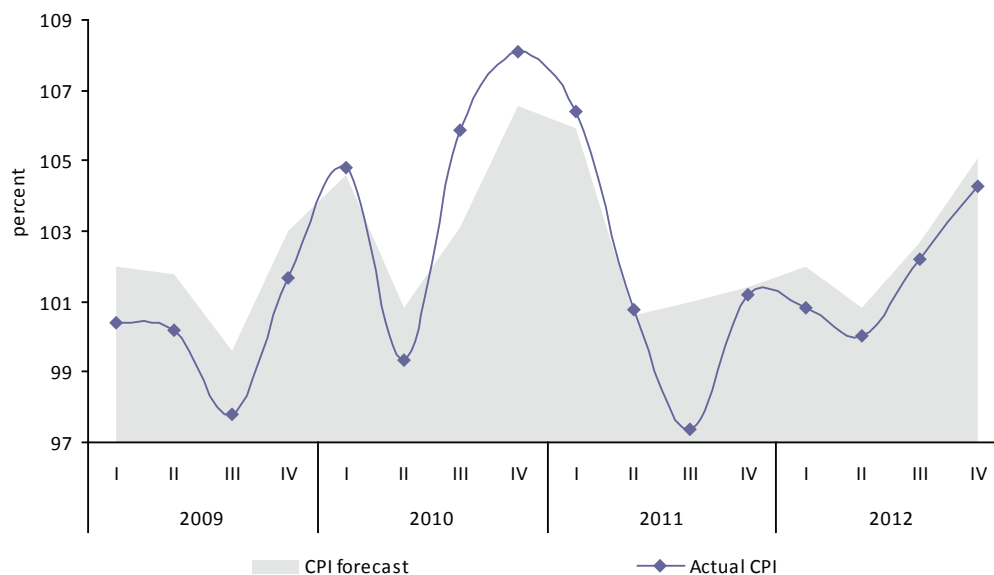
In the first quarter of 2013 inflation forecast takes into account the probability of the price growth in the world commodity markets, which will depend on the expectations for the collection of winter crops in producer countries of agricultural products. Overall, in the first quarter of 2013, inflation is forecasted within 3.0 percent. The inflation forecast for the second quarter of 2013 takes into account the residual effect of price growth in the world commodity markets in the second half year of 2013 is expected to decline in the commodity group of commodities under the influence of seasonal factors, as expectations of a rich harvest in the new crop year (2013-14 MY).

Chart 5.2.2. Inflation quarter value forecast for 2013
(percent)



Inflation in the fourth quarter of 2012 stood at 4.3 percent in line with forecasts NBKR published in the previous edition of the Inflation Report in the Kyrgyz Republic. As expected, the inflation in the fourth quarter of 2012 was influenced by seasonal factors and the residual impact of rising world commodity prices.

Chart 5.2.3. Comparison of forecast and fact on the inflation



Statistical Annex

Table 1. Consumer price index
(month to corresponding month, percents)

	2012											
	Jan.	Feb.	March	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
Consumer price index	100.8	100.1	100.0	99.8	100.7	99.6	100.1	100.9	101.1	101.9	100.8	101.5
Food and soft drinks	100.7	99.3	99.4	98.7	100.1	98.7	99.7	101.4	100.9	102.6	101.2	101.8
Alcoholic beverage, tobacco products	100.1	100.9	100.2	100.8	100.6	100.5	100.5	100.9	100.3	101.1	100.4	103.5
Non-food products	101.3	100.6	100.7	100.5	100.7	100.2	100.4	100.7	101.1	101.8	100.7	100.9
Services	100.7	100.7	100.2	100.6	102.6	100.2	100.7	100.2	102.2	100.6	100.1	100.8
Food and soft drinks	100.7	99.3	99.4	98.7	100.1	98.7	99.7	101.4	100.9	102.6	101.2	101.8
Bakery products and cereal	98.2	98.7	99.2	99.5	99.0	99.3	102.0	107.7	100.7	104.4	100.5	100.2
Meat	101.9	99.8	98.6	99.3	99.8	99.4	99.6	100.0	99.8	101.2	99.9	99.5
Fish	102.3	100.0	101.1	102.2	100.8	99.7	101.4	101.5	102.8	104.8	101.6	100.2
Dairy products, cheese and eggs	102.1	100.2	98.9	97.3	96.2	96.3	97.0	100.1	106.4	107.3	102.3	104.3
Oils and fats	100.0	99.5	99.6	98.9	99.0	99.7	99.8	100.1	101.1	101.2	99.9	100.4
Fruits and vegetables	103.6	98.5	101.1	94.6	102.7	95.6	95.9	91.4	103.1	102.8	108.2	112.5
Sugar, jam, honey, chocolate and candies	101.1	99.3	100.0	99.6	104.4	99.1	98.4	99.4	98.1	99.0	100.0	100.6
Other food products	100.9	100.4	99.5	99.7	100.4	100.2	100.1	100.1	102.1	100.6	100.1	100.3
Soft drinks	101.0	101.1	98.8	100.5	100.1	100.1	100.0	100.7	100.1	100.3	100.3	100.6
Alcoholic and tobacco products	100.1	100.9	100.2	100.8	100.6	100.5	100.5	100.9	100.3	101.1	100.4	103.5
Alcoholic beverage	100.0	101.2	100.0	100.9	100.5	100.0	100.2	101.3	100.4	101.5	100.5	104.8
Tobacco products	100.5	99.9	100.8	100.4	100.9	101.9	101.3	100.0	100.1	100.1	100.0	100.0
Clothing and shoes	101.9	100.2	102.1	101.9	101.2	100.6	100.3	100.4	101.4	102.5	101.2	101.4
Housing services, water, electricity, gas and other kinds of fuel	101.2	100.6	99.2	98.9	100.1	99.7	101.0	100.9	100.3	102.1	100.5	100.6
Domestic appliances, household appliances	101.0	101.2	100.5	100.9	101.1	100.8	99.9	100.7	100.9	101.1	100.6	100.7
Public health	101.5	101.4	100.5	100.8	101.1	99.4	102.8	100.5	101.2	99.7	100.3	100.3
Transport	99.4	100.3	99.9	100.0	105.4	100.2	100.9	100.6	99.9	100.2	100.2	100.2
Petrol and lubricants	99.4	98.3	99.9	100.4	100.2	99.1	100.3	101.3	100.1	102.1	101.4	99.9
Communication	100.0	100.0	100.0	100.0	100.0	100.0	100.2	100.0	100.0	100.0	100.0	100.0
Leisure, entertainment and culture	100.4	101.1	101.1	101.2	98.8	100.2	100.4	101.9	101.4	100.5	100.2	100.9
Education	100.3	100.0	100.0	100.0	100.0	100.0	100.1	100.0	108.1	99.9	100.0	100.0
Restaurants and hotels	102.9	102.0	100.5	100.8	101.8	100.0	100.8	100.0	101.7	102.2	100.0	102.2
Various goods and services	101.1	101.3	100.6	100.7	100.9	100.0	100.1	100.5	102.6	100.6	100.3	100.8

Table 2. Consumer price index
(month to corresponding month of the previous year, percents)

	2012											
	Jan.	Feb.	March	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Consumer price index	103.8	102.4	100.2	99.5	100.5	99.5	100.0	102.1	104.4	106.9	107.0	107.5
Food and soft drinks	99.3	95.8	91.7	90.3	91.4	89.7	91.0	94.8	98.6	102.7	103.6	104.5
Alcoholic beverage, tobacco products	109.7	110.6	109.8	110.5	110.4	110.0	108.7	109.0	108.6	108.7	107.6	110.2
Non-food products	110.0	110.3	110.4	110.1	110.6	109.8	109.3	109.0	109.9	111.6	110.8	109.8
Services	109.5	110.8	110.1	110.3	111.7	111.7	110.2	110.3	109.7	109.6	109.2	109.8
Food and soft drinks	99.3	95.8	91.7	90.3	91.4	89.7	91.0	94.8	98.6	102.7	103.6	104.5
Bakery products and cereal	96.0	91.1	84.2	83.1	83.0	83.0	84.9	92.3	97.0	104.4	107.2	109.3
Meat	120.9	117.0	114.4	113.5	111.4	106.9	102.3	100.6	98.6	101.0	100.6	98.8
Fish	115.2	114.2	114.5	116.5	117.7	116.5	117.5	119.2	122.1	123.7	122.7	120.0
Dairy products, cheese and eggs	107.1	105.2	107.3	106.0	104.9	103.8	103.9	103.2	105.2	108.3	108.2	108.0
Oils and fats	105.0	104.3	101.2	98.8	96.9	97.2	96.8	96.8	97.9	98.8	98.9	99.1
Fruits and vegetables	76.2	73.5	70.6	67.9	74.4	70.0	78.5	89.9	104.4	104.9	104.1	108.6
Sugar, jam, honey, chocolate and candies	98.2	93.3	92.1	91.0	95.1	93.9	90.5	86.3	91.6	97.0	98.7	98.9
Other food products	107.6	105.4	105.9	105.3	105.6	105.4	104.9	103.4	104.0	104.5	104.4	104.5
Soft drinks	110.6	110.9	106.7	106.1	107.1	104.3	103.4	103.6	103.1	103.4	104.0	103.7
Alcoholic and tobacco products	109.7	110.6	109.8	110.5	110.4	110.0	108.7	109.0	108.6	108.7	107.6	110.2
Alcoholic beverage	108.7	110.0	109.8	110.8	110.5	109.7	107.6	108.2	107.7	108.2	107.9	111.6
Tobacco products	112.2	111.9	109.7	109.7	110.2	111.0	111.8	111.1	110.9	109.6	106.7	106.2
Clothing and shoes	113.8	112.4	112.8	112.5	112.6	112.6	112.3	111.6	113.1	115.2	116.0	115.9
Housing services, water, electricity, gas and other kinds of fuel	103.2	104.5	104.6	104.7	106.9	106.0	106.7	107.5	107.2	110.4	107.9	105.1
Domestic appliances, household appliances	112.5	112.6	112.7	112.8	113.8	113.1	110.7	109.7	110.4	110.2	109.3	109.9
Public health	112.0	112.0	111.7	112.1	112.7	111.4	113.5	111.7	112.0	110.5	110.7	110.0
Transport	103.4	106.9	106.6	106.2	109.4	108.6	107.8	108.2	107.3	108.8	107.4	107.2
Petrol and lubricants	99.0	110.4	111.1	110.4	106.3	103.8	100.8	100.1	100.4	103.1	103.9	102.3
Communication	103.1	103.1	100.0	100.0	100.0	100.0	100.2	100.2	100.2	100.2	100.2	100.2
Leisure, entertainment and culture	111.6	111.9	111.3	112.3	110.1	110.2	109.1	108.6	109.9	109.4	107.8	108.2
Education	116.0	114.9	114.8	114.8	114.5	114.6	111.9	111.9	111.8	108.6	108.7	108.5
Restaurants and hotels	115.9	117.9	118.2	118.9	121.0	119.7	115.6	115.6	113.1	114.2	113.8	115.8
Various goods and services	106.4	107.3	107.5	107.4	107.1	106.9	106.1	105.8	109.0	109.1	108.8	108.9

Table 3. Index of prices and import actual volume for January-November 2012

Product name	11 mon.	11 mon.	11 mon.	Indexes		
	2012	2011	2011	price	phys. vol.	value
	mln. USD n12*p12	mln. USD n12*p11	mln. USD n11*p11			
A	B	C	A/B	B/C	A/C	
Oil, oil products and similar materials	944.5	887.4	746.2	1.06	1.19	1.27
Iron and steel	207.4	202.9	134.5	1.02	1.51	1.54
Cargo transportation cars and special purpose cars	167.1	176.0	86.9	0.95	2.03	1.92
Medicine	136.5	155.8	134.2	0.88	1.16	1.02
Coffee, tee, cacao, spices and products from them	91.3	75.3	70.8	1.21	1.06	1.29
Cereals (including eincorn) and mangcorn, unmilled	85.8	100.2	61.5	0.86	1.63	1.40
essential oils, resinoids and perfumery products	80.3	76.6	69.9	1.05	1.10	1.15
Sugar, sugar products and honey	80.2	90.0	88.5	0.89	1.02	0.91
Meat and meat products	70.2	60.8	65.5	1.16	0.93	1.07
Natural gas in gaseous state	67.2	65.6	61.7	1.02	1.06	1.09
Rubber tires	66.6	43.1	50.2	1.54	0.86	1.33
Fabric textile and from artificioal textile materials	62.8	52.0	58.0	1.21	0.90	1.08
Paper, hard paper and items from paper pulp, papers or hard paper	62.3	62.8	58.4	0.99	1.07	1.07
Electrical, linetelephone or telegraph sets	62.3	70.3	90.5	0.89	0.78	0.69
Conifer woods, sawed and split out	57.6	48.6	40.4	1.19	1.20	1.43
Vegetable fats and oils, raw material	55.7	62.6	52.0	0.89	1.20	1.07
Shoes with footing and upper from rubber and synthetics	51.9	46.6	32.4	1.11	1.44	1.60
Manurial	50.7	42.8	39.6	1.18	1.08	1.28
Food products and preparations, not including in other categories	50.5	34.3	38.3	1.47	0.89	1.32
Non-organic chemical species	47.1	43.8	43.0	1.07	1.02	1.10
Plastic original	42.8	44.8	37.5	0.95	1.19	1.14
Constructions and iron construction elements	42.0	40.2	16.3	1.05	2.46	2.57
Mechanical diggers, excavators and bucket loaders	41.3	40.7	19.4	1.02	2.10	2.13
Plastic unprime	39.7	39.1	28.1	1.02	1.39	1.41
Goods from base metalls, not including in other categories	38.8	26.3	37.3	1.47	0.71	1.04
Transformators, electrical	37.7	4.7	2.9	7.98	1.62	12.90
Densified wood and restored wood	37.1	43.1	27.1	0.86	1.59	1.37
Products from grains and products from flour or starch	36.4	36.8	29.6	0.99	1.24	1.23
Coal, coak and briquettes	36.0	31.4	26.7	1.15	1.18	1.35
Goods from wire and marginal nets	32.7	15.1	5.8	2.16	2.61	5.63
Coloring and tanning substances	31.6	33.1	22.4	0.96	1.48	1.41
Vegetables and fruits	31.1	25.2	31.5	1.23	0.80	0.99
Electrical distribution equipment, not including in other categories	29.7	24.6	12.2	1.21	2.02	2.44
Alcoholic beverage	28.6	26.0	30.0	1.10	0.87	0.95
Crude and fine flour, wheat and mangcorn	28.4	35.8	41.3	0.79	0.87	0.69
Mineral waters and soft drinks, sugared	28.0	26.5	23.5	1.06	1.13	1.19
Manual and machine instrument	25.3	22.7	22.3	1.11	1.02	1.13
Trousers, coveralls, britches and shorts	20.3	18.2	15.9	1.12	1.15	1.28
Jackets, slipovers, cardigans, westkits, woven or knitted	18.8	13.9	15.5	1.35	0.89	1.21
Legwears, woven or knitted	18.5	14.9	12.1	1.24	1.24	1.53
Glazed ceramic tiles	17.9	17.3	13.1	1.03	1.32	1.36
Cars and transport means for person conveyance	17.7	20.2	20.1	0.87	1.01	0.88
Garment, woven or knitted for women and girls	16.2	12.9	9.5	1.25	1.36	1.70
Electrothermal insruments, not including in other categories	16.1	13.7	11.6	1.17	1.18	1.39
Plains and other flight vehicles	16.0	22.7	12.6	0.71	1.80	1.27
Domestic refrigerators and deepfreezes	15.5	15.1	15.3	1.03	0.99	1.01
Machines for data automated processing and their centers	15.3	22.7	18.4	0.67	1.23	0.83
Machines for assortment, sifting, separation of substrate, stone, ore	15.2	29.0	16.6	0.52	1.75	0.91
Garment, woven or knitted for men and boys	15.0	7.9	6.7	1.89	1.18	2.24
Trousers, coveralls, britches and shorts	15.0	12.9	9.3	1.16	1.40	1.62
Cane fiver board	14.9	14.1	12.3	1.05	1.15	1.21
Machines for mealing, assortment, aligning, excavation or drilling of substrate	14.8	254.9	8.5	0.06	29.98	1.74
Gold, nonmonetary	14.4	2.4	0.2	5.99	11.67	69.83
Batteries and electric accumulators; their details	13.6	7.2	8.9	1.89	0.81	1.54
Milk, cream and dairy products, except butter and cheese	13.4	13.7	10.0	0.98	1.38	1.34
Electric accumulators	13.3	10.9	6.4	1.22	1.72	2.09
Margarine and combined fats	13.0	13.4	12.2	0.97	1.10	1.07
Medical and pharmaceutical production	12.8	13.6	14.9	0.95	0.91	0.86
Fish, crustaceansshellfish and water invertebrates	12.7	11.5	9.7	1.11	1.18	1.30
Cover for floors	12.5	11.3	10.7	1.11	1.05	1.17
Tractors	12.5	13.1	4.4	0.95	2.97	2.83
Nomenclature Total (mln, USD)	3,450.1	3,501.5	2,711.2	0.99	1.29	1.27
Nomenclature Total (% of total imports)	73%		72%			
Total import	4,758.6		3,781.7			

According to the data NSC in SIF prices; in the table are the first 61 big items of import

n - physical volume of goods imports

p - estimated import price of the goods

Table 4. Indexes of prices and import actual volume for January-November 2012

<i>Product name</i>	<i>11 mon.</i>	<i>11 mon.</i>	<i>11 mon.</i>	<i>Indexes</i>		
	<i>2012</i>	<i>2011</i>	<i>2011</i>	<i>pricephys. vol.</i>	<i>vol.</i>	<i>value</i>
	<i>mln. USD</i>	<i>mln. USD</i>	<i>mln. USD</i>			
	<i>n12*p12</i>	<i>n12*p11</i>	<i>n11*p11</i>	<i>A/B</i>	<i>B/C</i>	<i>A/C</i>
	<i>A</i>	<i>B</i>	<i>C</i>			
Gold, nonmonetary	411.7	378.1	927.1	1.09	0.41	0.44
Fruits and vegetables	134.5	104.8	124.7	1.28	0.84	1.08
Oil, oil products and similar materials	105.4	86.9	87.0	1.21	1.00	1.21
Non-organic chemical substances	88.4	17.8	28.0	4.98	0.63	3.16
Cargo transportation cars and special purpose cars	70.3	54.3	20.0	1.30	2.72	3.52
Ores and noble metals concentrates	51.2	33.8	15.8	1.52	2.13	3.24
Current flow	45.8	44.9	74.4	1.02	0.60	0.62
Cotton	30.5	35.2	26.6	0.87	1.32	1.15
Iron and steel	23.6	16.7	15.9	1.41	1.05	1.49
Dresses	23.6	29.7	17.9	0.80	1.66	1.32
Blouses, jackets and jackets-blouses	22.0	28.4	20.7	0.78	1.37	1.07
Milk, cream and dairy products, except butter and cheese	21.0	23.2	22.3	0.90	1.04	0.94
Incandescent lamps	19.4	18.8	19.4	1.03	0.97	1.00
Trousers, coveralls, britches and shorts	18.9	22.2	16.1	0.85	1.38	1.18
Legwears, woven or knitted	17.2	23.9	9.4	0.72	2.55	1.84
Coat, duffle coat, mantles, raincoats and similar items	12.5	19.5	11.7	0.64	1.66	1.06
Green tobacco; tobacco offals	11.9	10.9	13.1	1.10	0.83	0.91
Portland cement, cement	11.4	10.4	7.8	1.10	1.33	1.47
Garments, woven or knitted for women and girls	11.2	11.5	18.7	0.98	0.62	0.60
Scrap metal and waste of base metals	11.1	9.4	7.9	1.18	1.18	1.40
Different base metals, used in metallurgy, and metal ceramic	10.5	14.8	8.7	0.71	1.70	1.20
Rubebr tires	10.4	7.7	9.5	1.34	0.81	1.09
Trousers, coveralls, britches and shorts	9.0	11.3	9.9	0.80	1.13	0.91
Paper, hard paper and items from paper pulp, papers or hard paper	8.8	8.3	8.4	1.07	0.99	1.06
Skirts and pant-skirts	7.9	10.1	8.9	0.78	1.13	0.88
Scrap metal and waste of iron industry	7.1	7.0	11.7	1.02	0.60	0.61
Alive animals	6.4	4.4	7.0	1.46	0.63	0.92
Meat and meat products	6.1	4.3	2.6	1.40	1.70	2.37
Manual and machine instrument	6.0	3.0	8.8	1.98	0.35	0.68
Food products and preparations	5.6	0.6	4.0	9.17	0.15	1.40
Copters	5.3	0.5	0.3	10.59	2.00	21.17
Fabric textiles from artificial textile materials	4.6	7.9	7.8	0.59	1.00	0.59
Stone for building, processed and items from it	4.6	3.7	2.7	1.25	1.36	1.71
Manurial	4.6	4.6	3.3	0.98	1.41	1.39
Nomenclature Total (mln, USD)	1,238.6	1,068.5	1,578.0	1.16	0.68	0.78
Nomenclature Total (% of total exports)	83%		88%			
Total export	1,484.4		1,794.6			

According to the data NSC in FOB without final appraisal; in the table are the first 35 big items of export

n - physical volume of goods imports

p - estimated import price of the goods

Glossary

Core inflation is inflation which excludes short-term, structural and seasonal changes of prices. That is, the growth in prices of goods due to seasonal and external factors (such as poor harvest, the price shock in the market of oil products, the administrative changes in tariffs for gas and electricity, etc.) is excluded from the calculation of the inflation rate.

NBKR calculates the core inflation dynamics by the method of simple exclusions. The given method means the exclusion from the CPI of specific categories or an entire group of goods and services whose prices are highly sensitive to shocks. Traditionally, such goods include some food products, energy resources and tariffs established by the Government.

From April 2010 the National Statistics Committee of KR started the calculation of core inflation using the method of simple exclusions (according to the approved method No. 9 dated April 29, 2010). Such goods as milk, sugar, certain types of fruits and vegetables, alcoholic and tobacco products, petroleum products, product group "electricity, gas and other fuels", passenger transport and communication services, and others are excluded in calculation. In general, the proportion of excluded goods is 25 percent of the total consumer goods basket.

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-Bill(s) in the NBKR portfolio, the Ministry of Finance simultaneously with the redemption issues new series of ST-Bill(s) in favor of the NBKR in number equal to the number of redeemable securities.

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. Placing issues of ST-Bills is made through weekly auctions conducted by the NBKR. Direct participants (primary dealers, finance and credit institutions that have entered into an agreement with the NBKR) enjoy the right to participate in the auctions. The owners of ST-Bills of the Kyrgyz Republic can be both legal entities and 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 transactions on purchase/sale of ST-Bills 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.

Monetary base – obligations of the National Bank on cash in circulation, and the

obligations of the National Bank to other depository corporations in the national currency of the Kyrgyz Republic.

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.

Currency in hands – issued in circulation by the National Bank for cash, excluding the amount of cash that are in the tills of the National Bank.

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.

Other depository 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).

Producer price index measures the average changes in selling prices received by domestic producers for their products. Information used in the calculation of the PPI is collected from 148 enterprises that represent almost every branch in the industrial sector of the economy. The list of enterprises includes those most typical for the given industry, characteristic for the given region, and irrespective of patterns of ownership.

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. The prices of buyers of 342 selected goods and services are used when calculating the index, the sample size is up to 45 thousand prices per month for 1496 enterprises of trade and services in seven urban and two regional centers.

“Overnight” credit is given in national currency for one day, upon the collateral, to support short-term liquidity of the bank. Government securities of the Kyrgyz Republic placed through the NBKR, with maturity up to 12 months from the date of “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.

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

Notes – are the government short-term securities issued by the NBKR for 7, 14, 28, 91 and 182 days through the weekly auctions. The profitability rate is determined depending on the supply and the demand on the part of commercial banks. The goal

of conducting the auctions of notes is the withdrawal of liquidity in national currency from the banking system.

REPO Operation – purchases (direct repo)/sales (reverse repo) of government securities with the obligation to sell them back / purchase of a specified date in the future at a predetermined price.

Output gap (or GDP gap) – is the difference between potential and actual GDP volume. The output gap may serve as an indicator of activation or stagnation of the economy. If actual GDP is less potential ($y < y^*$), then it is assumed that there is so-called "recessionary gap" in the economy, which indicates the possible existence of deflationary processes. And vice-versa, if actual GDP is greater than the potential one ($y > y^*$), then it is assumed that the growth of aggregate demand exceeds aggregate supply growth, which contributes to increased inflationary pressure.

GDP gap calculated as the ratio of the actual and potential GDP:

$$GAP_t = \frac{GDP_t}{GDP_{POT}} - 1, \text{ where:}$$

GAP_t - GDP gap at the moment of time t;

GDP_t - actual GDP at the moment of time t;

GDP_{POT} - potential GDP.

State budget operating expenditures – all the operations that lead to a decrease in the net value of assets of the government sector, except for operations on purchase of non-financial assets.

Swap operations – operations for the exchange of cash in national currency for an equivalent amount in foreign currency or vice versa, with the obligation of the reverse exchange of principal amounts and accrued interest on pre-specified conditions.

Structure of money income of the population by quintile groups reflects the differentiation of the population by size of income into five (quintile) groups, each of which consists of 20 percent of the population. This approach of determination of the population income involves assumes division of the ranged total population into five equal groups, thus determining the proportion of the total income of society attributable to the population group with the highest income or the group with the lowest income.

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.

GSCI-ag (Goldman Sachs Commodity Index-agricultural) – index of prices for actively traded future contracts for food (agricultural) products – developed by the investment bank "Goldman Sachs" in order to present these exchange goods as a single group.

Abbreviations

GDP	Gross Domestic Product
STB	State Treasury Bill
STB (r)	Renewable state treasury bills of regulation
STB	State Treasury Bond
SE	State Enterprise
FL	Fuels and lubricants
SCS	State Customs Service under the Government KR
CPI	Consumer Price Index
PPI	Producer Price Index
MRC	Monetary Regulation Committee
KR	Kyrgyz Republic
MA	Ministry of Agriculture
MY	Marketing Year
NBKR	National Bank of the Kyrgyz Republic
NPISH	Non-profit Institutions serving households
NSC	National Statistical Committee
NBFI	Non-bank Financial Intermediary
LLC	Limited Liability Company
CIF	Import Bound Price (cost, insurance, freight)
CIS	Commonwealth of Independent States
USA	United States of America
FOB	Exporting Country Bound Price (free on board)
GSCI-ag	Goldman Sachs Commodity Index-agricultural