

Dynamics of monetary indicators in January 2015

In January 2015, the growth rate of the economy (according to the preliminary data of NSC) amounted to 8.4 percent (in January 2014 - 8.6 percent); excluding “Kumtor”, the real GDP increased by 3.4 percent.

In January 2015, the inflation rate amounted to 11.6 percent in annual terms (in January 2014 - 3.6 percent); the core inflation amounted to 8.4 percent (in January 2014 - 7.1 percent).

The official exchange rate of the US dollar to KGS since the beginning of 2015 increased by 1.6 percent and amounted to 59.8100 KGS per 1 US dollar (in January 2014 – by 2.4 percent).

The monetary base in January 2015 decreased by 8.6 percent, amounting to 58 947.8 million KGS (in January 2014 – by 3.6 percent); in addition, money in circulation decreased by 10.7 percent with an increase in the reserves of other depository corporations by 7.6 percent.

The structure of the monetary base as of the end of January 2015 is as follows:

- the proportion of money in circulation amounted to 86.5 percent;
- the proportion of reserves of other deposit corporations amounted to 13.5 percent.

In the structure of reserves of other deposit corporations, obligatory reserves increased by 1.5 percent, amounting to 6 791.5 million KGS; excess reserves increased by 65.6 percent up to 1 165.8 million KGS (in January 2014, obligatory reserves increased by 6.9 percent, while excess reserves - by 164.6 percent).

A decrease in the monetary base was due to seasonality of the Government operations, which in January 2015 reduced the monetary base by 5.5 billion KGS. As a result, the operations of the National Bank of the Kyrgyz Republic reduced the monetary base further by 1.1 billion KGS.

In January 2015, the monetary base was mainly influenced by the following operations of the National Bank of the Kyrgyz Republic:

- foreign exchange interventions reduced the monetary base by 3.5 billion KGS;
- "overnight" deposits – a gross value of allocated funds for January amounted to 28.6 billion KGS;
- "overnight" loans – a gross value of issued funds in January amounted to 2.0 billion KGS;
- purchase of gold in the domestic market - by 1.8 million KGS.

Gross international reserves in January 2015 in dollar terms decreased by 82.3 million dollars, amounting to 1 876.3 million USD.

Net domestic assets (NDA) in January 2015 decreased by 2 424.0 million KGS. An increase in the commitments before the Government contributed to the reduction of NDA by 2 005.1 million KGS due to the growth of its deposits, as well as a decrease in the net claims of the banking sector by 968.9 million KGS due to the increase in the deposit inflows to the National Bank of the Kyrgyz Republic. A decrease in proprietary accounts by 1 214.1 million KGS contributed to the growth of NDA.

Alterations of monetary aggregates

Monetary aggregate M2, which consists of cash out of banks and deposits in the national currency¹, in January 2015, decreased by 6.2 percent, amounting to 77 245.5 million KGS (in January 2014 – by 2.5 percent).

Broad money supply M2X in January 2015 decreased by 4.6 percent, amounting to 118 760.4 million KGS, which is mainly due to the reduction of money out of banks by 10.0 percent up to 46 726.3 million KGS (in January 2014, M2X decreased by 0.6 percent).

Structure of M2X money supply is as follows:

- the share of cash out of banks - 39.3 percent (as of 01.02.2014 - 48.4 percent);
- the share of deposits in national currency - 25.7 percent (as of 01.02.2014 - 25.4 percent);
- the share of deposits in foreign currency - 35.0 percent (as of 01.02.2014 - 26.2 percent).

¹ Deposits for physical and legal persons and other financial institutions excluding deposits to the Government and non-residents

The level of dollarization of deposits included in M2X, as of the end of January 2015, amounted to 57.6 percent, having decreased by 0.4 percentage points compared to the level at the beginning of the current year.

Deposits in foreign currency decreased by 1.5 percent, amounting to 41 515.0 million KGS; excluding the impact of exchange rate – by 2.3 percent, deposits in national currency increased by 0.1 percent up to 30 519.1 million KGS. As a result, the total volume of deposits in January 2015 decreased by 0.8 percent, amounting to 72 034.1 million KGS (in January 2014, increased by 5.2 percent).

*Credit to the economy*² in January 2015 decreased by 0.5 percent, amounting to 81 776.5 million KGS; excluding the impact of exchange rate, the decline was amounted to 1.3 percent (in January 2014, credit to the economy increased by 1.4 and 0.2 percent, respectively).

In January 2015, net foreign assets of the banking system decreased by 4 698.2 million KGS (by 4.3 percent), amounting to 103 891.4 million KGS.

At the end of January 2015, net domestic assets (NDA) of the banking system amounted to 14 869.1 million KGS, having decreased by 1 085.7 million KGS (by 6.8 percent).

The discount rate at the end of January 2015 was set at the level of 11.0 percent in accordance with the decision of the Board of the National Bank of the Kyrgyz Republic (+50 basis points compared to the level at the end of December 2014).

At the end of January 2015, the yield of 7-day notes amounted to 11.00 percent.

The multiplier of broad money M2X, which characterizes the degree of financial intermediation, as of 01.02.2015, amounted to 2.015, multiplier M2 – 1.310 (as of 01.02.2014 - 1.704 and 1.257, respectively).

The coefficient of monetization of the economy, calculated by the monetary aggregate M2X amounted to 30.3 percent, by the monetary aggregate M2 - 21.2 percent (in January 2014 - 31.1 and 23.5 percent, respectively).

Money velocity

The money velocity in January 2015 amounted to 3.3 (by M2X) at the end of the month.

In January 2015, receipt of cash in the cash department of the National bank amounted to 7 866.8 million KGS; in comparison with January 2014, the amount increased by 301.0 million KGS, or 4.0 percent; issuances decreased by 1 380.1 million KGS, or 43.6 percent, and amounted to 1 782.7 million KGS.

In January 2015, receipt of cash in the cash departments of commercial banks amounted to 65 268.8 million KGS; in comparison with the corresponding period of the previous year, the amount increased by 760.3 million KGS, or 1.2 percent; issuances increased by 941.4 million KGS, or 1.5 percent, and amounted to 61 859.0 million KGS.

In January 2015, the level of financial risks in the payment system was kept to a minimum. A turnover ratio at the end of the year amounted to 0.33, a liquidity ratio - 2.99.

² Loans for physical and legal persons and other financial institutions excluding loans to the Government and non-residents