

Monetary policy report for the first half of 2013

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Major trends in monetary policy

In order to conduct monetary policy the National Bank of KR determined macroeconomic environment on the basis of internal and external macroeconomic conditions analysis. Moreover, main macroeconomic indicators were determined as follow.

In January-June 2013 the economic growth was 7.9 percent. GDP grew by 5.5 percent without the inclusion of "Kumtor". A great contribution to the growth of the economy was provided by a relative restoration of production at "Kumtor" mine.

Positive growth rates of the economy had positive impact on the increase of state budget revenues. The increase from operating activities was by 15.1 percent more compared to the same period in 2012. In the first half of 2013 the state budget deficit was 1.4 billion KGS or 1.0 percent of GDP. At the same time in 2012 the budget deficit was around 3.3 percent of GDP.

In the foreign economic sector there is a continuation of current deficit accounts expansion as a result of significant growth in the trade deficit (increase by 26.5 percent). Basing on the result of the first half of 2013 this may lead to an increase in the red ink of current accounts by 1.5 times (20.1 percent of GDP). Moreover, there is a slowing rate of growth in the net inflow of remittances by 9.7 percent in the first half of 2013 (44.4 percent – in the first half of 2011 and 15.4 percent – in the first half of 2012).

Under these conditions NBKR pursued balanced monetary policy. In the end of June the volume of excess liquidity sterilization amounted to 3.3 billion KGS. This helped to reduce the level of core inflation¹ from 11.4 percent at end of December in 2012 to 8.9 percent at end of June in 2013 (in annual terms). In the first half of 2013 overall inflation was 8.1 percent year on year.

Relative stability in the foreign exchange market in January-June 2013 allowed NBKR to minimize its presence in the interbank foreign exchange market. In April 2013 NBKR conducted currency interventions in order to avoid sharp fluctuations in exchange rate. Net sales amounted to 14.7 million USD, the exchange rate of USD to KGS in the accounting period increased by 2.6 percent: from 47,4012 to 48,6277 KGS for 1 USD.

Since the beginning of the year monetary base increased by 3.8 percent in annual terms – by 18.0 percent. NBKR provided resources to commercial banks in the amount of 432.0 million KGS to maintain credit growth and strengthen the interest rate channel in the credit auctions for the purpose of refinancing and liquidity support. At end of the reporting period the discount rate was 3.2 percent.

Dynamics of monetary indicators

On the results of the first half of the year the monetary base increased by 2.4 billion KGS or by 3.8 percent and at the end of June 2013 it amounted to 66.9 billion KGS (in comparable period of 2012 – 3.5 percent). The operations of the Government increased the monetary base by 1.4 billion KGS, the operations of National Bank – by 1.0 billion KGS.

By the end of June 2013 broad monetary aggregate M2X including deposits in foreign currency amounted to 108.0 billion KGS having increased by 9.7 percent since the beginning of the year (in the first half of 2012 – by 11.1 percent). The main contribution to the growth in M2X was done through an increase in the volume of deposits² that since the beginning of 2013 increased by 14.6 percent (in the same period of 2012 – by 23.3 percent). At the end of the

¹ Core inflation (using the method of IMF): such provision goods as food and electricity, gas and other fuels are completely eliminated.

² Excluding government deposits and non-residents.

reporting period the increase in the foreign currency deposits was 22.6 percent, while the increase in deposits of national currency was 7.3 percent (in the same period in 2012 the increase was 21.4 and 25.5 percent, respectively). In general, the dynamics of deposit base development reflects the confidence and improvement in credit activity of banking system.

In the currency structure of broad monetary aggregate M2X the share of deposits in national currency for the first half of 2013 decreased to 22.8 percent (-0.5 p.p.) while in foreign currency it increased to 23.9 percent (+2.5 p.p.). At the end June 2013 the share of money outside banks in the structure of M2X decreased to 53.3 percent (-2.0 p.p.).

Due to the rapid rate of money supply growth over the growth rate of GDP, the rate of monetization of the economy that was calculated on monetary aggregate M2X increased from 29.0 percent at the beginning of the year to 30.7 percent at end of June 2013. Accordingly, the velocity of circulation that was calculated by monetary aggregate M2X decreased from 3.4 at the beginning of the year to 3.3 at the end of June 2013.

Multiplier of broad money M2X characterizing the degree of financial mediation increased from 1,527 at the end of 2012 to 1,614 at the end of June 2013 due to the increase in the volume of deposits in broad money M2X.

Inflation : Results and Trends

According to the National Statistics Committee (NSC of KR) in the first half of 2013 (June 2013 to June 2012) the inflation was 8.1 percent, while in June compared with May 2013 prices increased by 0.1 percent, the average annual inflation was 7.8 percent .

Prices for food commodities that compose about 48 percent in the structure of consumer basket grew by 8.1 percent in the first half of 2013. Prices for non-food products on annualized basis increased by 7.7 percent, while those of alcohol and tobacco products by 11.8 percent, paid services by 6.9 percent.

Table 1. Consumer price index in Kyrgyz Republic

	June 2013 to			January-June 2013 to January-June 2012
	May 2013	December 2012	June 2012	
All goods and services	100,1	101,5	108,1	107,8
including				
Food and non-alcoholic beverages	99,7	100,6	108,1	106,6
Alcoholic beverages, tobacco products	101,3	104,5	111,8	111,4
Non-food products	100,5	101,9	107,7	107,9
Services	100,2	101,9	106,9	108,8

In the structure of food products the largest share is accounted to bread and cereals . As per results of June 2013 the prices of bakery products and cereals increased by 14.6 percent in annual term, including the increase in prices of wheat flour of the first grade by 27.6 percent. The main reasons for the increase in prices for bread and cereals are low yield of wheat in the country and in the main trading partners in 2012. In January-June 2013 prices of crops stabilized and tended to decrease basing on the expectations of high harvest in 2013. So, for example, import prices of Kazakhstan wheat (Lugovaia station) with gluten of about 23-24 percent decreased by 21.0 percent¹ since the beginning of the year.

On the results of June 2013 prices for fruits and vegetables grew by 18.5 percent in annual terms (similar indicator of 2012 decreased by 29.8 percent), while prices for fruits increased by 19.6 percent and those of vegetables by 18.9 percent.

The dynamics of prices for sugar in Kyrgyzstan decreased by 10.7 percent in annual terms.

¹ From 343.0 USD per one ton as of January 16, 2013 to 271.0 USD as of June 29, 2013.

At the end of the first half of 2013 prices of the product group “oils and fats” increased by 1.5 percent in annual terms. Current dynamics of prices for the product group “oils and fats” is due to the continuing effect of big harvest of oilseeds in the last season.

The price index for dairy products on annual basis rose by 8.7 percent. However, since the beginning of the year there is a decrease in prices for this group of products: if in March index decreased by 0.7 percent since the beginning of the year, in June of the same period the decline was 8.0 percent. Prices for dairy products are declining due to the formation of surpluses of dairy products in the domestic market of the country against the background of import restriction from the side of Kazakhstan.

On the results of June 2013 prices for meat products increased by 2.1 percent in annual terms.

High dependence of domestic food prices on the dynamics of world prices is largely due to high food import dependence of Kyrgyz economy. Thus, according to the NSC of KR in the first quarter of 2013 the share of imports in consumption patterns of bakery products was 51.6 percent, while imports of vegetable fats that are consumed was 54.6 percent. The consumption of sugar was provided by import that covered 65.6 percent.

Table 2. The food balance of KR on basic foods
(thousands of tons)

	Bakery products in terms of grain, thousand tons				Vegetable fats thousand tons				Sugar and confectionery in terms of sugar, thousand tons			
	I'2010	I'2011	I'2012	I'2013 ¹	I'2010	I'2011	I'2012	I'2013 ¹	I'2010	I'2011	I'2012	I'2013 ¹
Receipt	1 690,1	1 583,8	1 490,9	1 318,0	54,2	47,1	40,1	22,8	61,2	35,9	30,9	30,6
Inventories at the beginning of the year	1 593,3	1 473,2	1 295,6	1 182,9	40,6	36,2	26,4	9,3	41,7	16,0	10,4	5,6
Produced supply of provisions in the country	-	-	-	-	5,6	4,7	4,2	4,6	0,0	0,0	0,0	9,0
Imported foodstuff	96,8	110,6	195,3	135,1	8,0	6,2	9,5	8,9	19,5	19,9	20,5	16,0
Utilization	577,1	589,1	584,0	652,4	15,0	15,1	15,9	16,3	26,4	25,8	23,9	24,5
Expenditures for seeds	10,7	4,5	0,6	62,2	-	-	-	-	-	-	-	-
For fodder	269,5	275,5	285,0	291,8	-	-	-	-	-	-	-	-
Losses	29,2	27,4	27,3	24,1	-	-	0,0	0,0	-	-	0,0	0,0
Exported foodstuff	19,4	29,6	15,0	12,5	0,0	0,0	0,0	0,0	0,1	0,3	0,2	0,1
Availability for consumption by the population	248,3	252,1	256,1	261,8	15,0	15,1	15,9	16,3	26,3	25,5	23,7	24,4
Stocks for the end of the period	1 113,0	994,7	906,9	665,6	39,2	32,0	24,2	6,5	34,8	10,1	7,0	6,1
The share of imports in total consumption, %	39,0	43,9	76,3	51,6	53,3	41,1	59,7	54,6	74,1	78,0	86,5	65,6
The share of exports in the volume of production, %	-	-	-	-	-	-	-	-	-	-	-	1,1
Coefficient of the dependence on imports	-	-	-	-	58,8	56,9	69,3	65,9	100,5	101,5	101,0	64,3
Coefficient of self-sufficiency	-	-	-	-	41,2	43,1	30,7	34,1	0,0	0,0	0,0	36,1
The ratio of reserves to demand, %	192,9	168,9	155,3	102,0	261,3	211,9	152,2	39,9	131,8	39,1	29,3	24,9

¹ Preliminary data

Prices for non-foods increased by 7.7 percent in annual terms, which is 2.2 percentage points lower than in 2012. The largest price increase occurred in the group of "clothing and footwear" goods which grew by 13.0 percent. Household goods and appliances rose by 7.0 percent. The cost of fuel and lubricants fell by 1.4 percent in annual terms, including the price of gasoline which decreased by 1.6 percent while prices of diesel fuel rose by 1.5 percent.

In June 2013 the index of prices for paid services increased by 6.9 percent in annual terms (in June 2012 – by 11.7 percent). The growth index in the group was mainly due to increase in cost of services in restaurants and hotels by 9.6 percent, educational services (+8.3 percent) and transport services (+2.6 percent). Health services increased by 12.9 percent.

Real sector

In January-June 2013 according to preliminary estimates nominal GDP amounted to 133.9 billion KGS, having increased by 7.9 percent in real terms (in January-June 2012 there was a decline in real GDP by 6.9 per cent). With the exclusion of enterprises that exploit gold deposits "Kumtor", GDP grew by 5.5 percent (in the first half of 2012 the increase of similar index was 3.4 percent). The GDP deflator was formed at the level of 4.6 percent compared to 12.7 percent in January-June 2012.

Positive contribution to the growth of GDP in January-June 2013 was provided by all sectors of the economy, except the sector of production and distribution of electricity, gas and

water (the contribution of -0.03 p.p.), in which the decrease in production was due to the reduction in electricity production by 4.5 percent and reduction in the volume of electricity distribution services by 4.0 percent due to low-water season in Toktogul Reservoir.

The index of industrial production volume (PVI) in January-June 2013 amounted to 118.4 percent compared to 69.1 percent in January-June 2012. With the exclusion of enterprises that exploit gold deposits "Kumtor", PVI of the industry amounted to 103.2 percent compared to 110.0 percent of the same indicator of 2012. In the structure of the industry a noticeable increase was observed in the manufacturing industry (+25.5 percent), while the increase in the production of mineral industry amounted to only 3.4 percent.

Observed growth in the manufacturing industry is largely due to continuing low base effect in January-June 2012, as well as the increase in metallurgical production and production of finished metal products, rubber and plastic products, production of other non-metallic mineral products (cement), production of electrical, electronic and optical equipment. In addition, there is a significant decline in the structure of industry production that is observed in the textile and clothing industry (-17.2 per cent) due to the reduction in orders from Russian entrepreneurs and reduction in the demand for garment products, as well as toughening of the rules in the Customs Union.

Table 3. The contribution of selected activities to increase / decrease of GDP
(in percents)

	Specific weight		Growth rate		Contribution to growth	
	January-June		January-June		January-June	
	2012 r.	2013 r.	2012 r.	2013 r.	2012 r.	2013 r.
Agriculture, hunting and forestry	12,4	11,1	1,4	1,9	0,1	0,2
Mineral resource industry	1,0	0,9	21,1	3,4	0,2	0,0
Manufacturing industry	12,2	13,4	-42,2	25,5	-9,3	3,1
including "Kumtor"	6,0	7,3	-64,2	45,9	-9,8	2,8
Production and distribution of e / e , gas and water	4,0	3,1	13,5	-0,7	0,6	0,0
Construction	4,1	4,4	7,7	15,0	0,3	0,6
Trade, repair of motor vehicles	15,7	16,1	7,5	8,5	1,1	1,3
Transport and communications	10,2	10,6	8,0	12,3	0,8	1,3
Other	26,1	25,0	1,0	1,0	0,2	0,3
Net taxes on products	14,3	15,4	-6,9	7,9	-0,8	1,1
GDP	100,0	100,0	-6,9	7,9	-6,9	7,9
GDP without Kumtor			3,4	5,5	2,9	5,2

Source NSC, computations of NBKR

Gross agricultural output in January-June 2013 increased by 1.9 percent in real terms, providing a positive contribution to GDP growth by 0.2 percentage points, the share of this sector in GDP was 11.1 percent (in January-June 2012 the gross output of agriculture increased by 1.4 percent). Growth in gross agricultural output was mainly due to increase in production of livestock industry, as well as the beginning of harvesting of potatoes, vegetables and grains in the current year.

Gross turnover of trade in January-June 2013 amounted to 125.3 billion KGS, while the volume of trade transactions increased by 8.1 percent in real terms compared to the same indicator of 2012 (in the first half of 2012 the increase in volume of trade amounted to 8.6 percent).

The volume of investments into fixed capital in the first half of 2013 increased by 6.1 percent in real terms compared to the same indicator of 2012 and in nominal terms it amounted to 20.0 billion KGS (similar index in the first half of 2012 increased by 8.0 percent). Huge share of investments went to mining sector (26.5 percent), manufacturing industry (17.4 percent) and transport and communications (8.2 percent).

External economic sector¹

According to preliminary and forecast data for the first half of 2013, a significant increase in the trade deficit may lead to an expansion of negative current account balance by 1.5 times (20.1 percent to GDP).

It is expected the increase in the trade deficit of KR to 1383.0 million USD in the reporting period (increase by 26.5 percent) due to the following factors:

- Increase in the value of imported oil products by 80.7 million USD;
- Reduction in exports of clothing and clothing accessories by 28.8 million USD and the reduction in export of other commodities.

In the reporting period of 2013 export of goods (in FOB prices) will amount to 1040.9 million USD having reduced by 3.5 percent compared to the same indicator in corresponding period of 2012.

For the reporting period import of goods (in FOB prices) will be increased by 11.6 percent and will be reached 2423.9 million USD.

In the first half of this year the deficit of the balance of services will be 145.0 million USD, which is 12.3 percent less than in the first half of 2012. The reduction in the negative balance of services will occur due to the rapid growth of export of services (24.7 percent or 135.0 million USD) compared to their import (by 16.1 percent or 114.6 million USD).

The net inflow of current transfers will develop in the amount of 947.4 million USD, which is 12.6 percent more than in the same period of the last year. The main increase in this article in the reporting period is traditionally will be ensured due to private transfers, the net inflows of which will increase by 9.9 percent and will reach 921.5 million USD.

In the first half of 2013 the capital account and financial operations will form a surplus of 413.1 million USD, which is less than the corresponding figure of the same period by 22.1 percent.

The balance of capital account is expected to reach positive amount at 235.7 million USD, having increased by 5.2 times compared to the same indicator of January-June of last year. The main reason for the growth of surplus in capital account will be reflection of operation on debt forgiveness of Kyrgyz Republic in the amount of 188.9 million USD to Russian Federation.²

Thus, in the first half of 2013 the balance of payments of the Kyrgyz Republic will be with a positive balance around 71.7 million USD. The volume of gross international reserves³ will cover 3.4 months of the future import of goods and services.

According to preliminary data, since the beginning of 2013. the index of nominal effective exchange rate of KGS (NEER) rose by 0.4 percent and by the end of June was 111.3. The increase was due to the strengthening⁴ KGS in June of the year compared with the average exchange rate in December 2012 against the Turkish lira by 2.5 percent and Russian ruble – by 1.7 percent. Along with this, there was depreciation of KGS against the Chinese Yuan by 3.8 percent; against Euro – by 3.0 percent; against the U.S. dollar – by 2.2 percent and against Kazakh tenge – by 1.6 percent.

Along with strengthening of NEER index of KGS, low level of inflation⁵ in Kyrgyzstan led to decrease in the index of real effective exchange rate (REER), which since December 2012 decreased by 0.7 percent and by the end of June of this the year was 111.9.

¹ According to preliminary and forecast data, taking into account re-export of oil products in 2012.

² According to the Agreement between the Government of Kyrgyz Republic and the Government of Russian Federation regarding the adjustment of debts of Kyrgyz Republic to Russian Federation on previously granted loans on September 20, 2012 (entered into force on May 22, 2013).

³ Gross international reserves at the end of June 2013 amounted to 2 024.2 million USD.

⁴ The data on the nominal bilateral exchange rate of KGS is pointed; the year of 2000 is used as the base period to calculate index.

⁵ In June 2013 inflation in Kyrgyz Republic was 1.4 percent, while the average rate of inflation in major trading countries, according to preliminary estimates, amounted to 2.5 percent.

Public finance sector

In the first six months of 2013 the state budget deficit was 1.4 billion KGS or 1.0 percent of GDP, while in the comparable period of 2012 there was a budget deficit of 3.3 percent to GDP.

The total funding of budget in January-June of this year was carried out through internal sources of 3.4 billion KGS (2.5 percent to GDP) and through external sources in the amount of 5.1 billion KGS (3.8 percent to GDP).

In the period under review, the net outflow of budget funds for purchases and sales of non-financial assets (including the operations of the following groups: fixed assets stocks, land) was 2.9 billion KGS or 2.1 percent of GDP (in the same period of 2012 – 1.8 billion KGS or 1.5 percent to GDP).

According to preliminary data of Social Fund of Kyrgyz Republic, the surplus of Social Fund budget in January-June 2013 amounted to 0.5 billion KGS or 0.3 percent to GDP, revenues – 16.3 billion KGS or 12.2 percent to GDP, expenditure – 15.9 billion KGS or 11.9 percent of GDP.

In the reporting period the deficit of the consolidated budget (state budget + Social Funds budget) amounted to 0.9 billion KGS or 0.7 percent to GDP. Revenues amounted to 54.9 billion KGS or 41.0 percent to GDP and expenditures – 55.8 billion KGS or 41.7 percent to GDP.

In the first half of 2013 the state budget revenues from operating activities increased by 15.1 percent as compared with the same period in 2012 and amounted to 46.7 billion KGS or 34.9 percent of GDP (in 2012 an increase amounted to 12.3 percent).

The receipt of tax revenue was 32.8 billion KGS that showed an increase by 10.2 percent¹ or by 3.0 billion KGS as compared with the same period in 2012. The share of tax revenues in total revenues from operating activities decreased by 3.1 percentage points as compared with the same period in 2012 and was 70.1 percent. Receipt of tax revenues provided the contribution to the growth of state budget revenues from operations by 7.4 percentage points.

Tax revenues were provided with the proceeds of State Tax Service by 52.3 percent and by 47.7 percent from the State Customs Service. The plan of SCS taxes collection in January-June of this year performed at the rate of 93.3 percent, the plan of STS was 97.8 percent.

In the reviewed period non-tax revenues amounted to 10.4 billion KGS that increased by 16.8 percent as compared with the corresponding indicators in 2012. The main contribution to the growth of revenues were done through revenues from the provision of services (education and health) and dividends accrued to the state share package. Thus, the non-tax revenues provided contribution to the growth of State budget from operating activities by 3.7 percentage points.

Receipt of official transfers amounted to 3.6 billion KGS that increased by 1.8 times or 1.6 billion KGS. Contribution of official transfers to the growth of operating incomes of the state budget amounted to 4.0 percentage points.

In the first six months of 2013 State budget expenditures for operating activities amounted to 45.2 billion KGS that increased by 5.9 percent² or by 2.5 billion KGS.

According to functional classification of budget expenditures in the reporting period there was a decrease of expenditure in relation to GDP through economic issues (0.8 p.p.), education (0.6 p.p.), health care (0.5 p.p.), general public services (0.3 p.p.), housing and communal services (0.1 p.p.) and recreation, culture and religion (0.1 p.p.). Expenditures on social protection increased by 0.2 percentage points. Expenditures on environment protection and defense, public order and security have not changed.

In the structure of expenditure by economic classification there is still high proportion of expenses aimed at current consumption. In the reporting period there was observed an increasing share of spending on subsidies and social benefits by 2.3 percentage points formed mainly due to

¹ In real terms (adjusted for CPI) increased by 2.2 percent.

² In real terms (adjusted for CPI) fell by 1.7 percent.

increased expenses for the payment of the main part of pensions and benefits to low-income families.

At the end of June 2013 the public debt amounted to 153.6 billion KGS or 3.2 billion USD out of which external debt amounted to 139.8 billion KGS, while internal debt amounted to 13.8 billion KGS. Interest payments on public debt for January-June 2013 amounted to 1.4 billion KGS, including the share of payments on foreign and domestic debt amounted to 53.5 and 46.5 percent of the total interest payments, respectively.

Financial sector

Banking system

As of June 30, 2013¹ there were 23 commercial banks in Kyrgyz Republic (including the Bishkek branch of the National Bank of Pakistan) and 281 branches of commercial banks (in the same period of 2012 there were operating 22 commercial banks and 264 branches). The banking sector received 1 130.2 million KGS of net profit (in the same period in 2012 – 1 023.9 million KGS).

Since the beginning of the year total assets of the banking system increased by 9.8 percent and at the end of the first half of 2013 amounted to 96.0 billion KGS (in the same period of 2012 increased by 13.4 percent to 76.6 billion KGS). At the end of the reporting period, the amount of deposit base of commercial banks amounted to 57.5 billion KGS, that increased by 13.5 percent since the beginning of the year. Thus the increase was due to growth of both the foreign exchange component of the deposit base by 21.3 percent and by deposits in KGS by 6.7 percent. According to the results of the six months, dollarization of the deposit base increased by 3.2 percentage points up to 50.0 percent, due to higher rates of foreign currency deposits growth.

In the reviewed period there was an increase in the inflow of deposits to commercial banks. The volume of newly received deposits² in the first half of 2013 amounted to 121.6 billion KGS, which showed an increase compared to the same period in 2012 by 11.3 percent. The volume of newly accepted deposits in national currency was 65.4 billion KGS (+18.9 percent) while in foreign currency – 56.2 billion in equivalent KGS (+3.7 percent).

The weighted average interest rate on new deposits in national currency was 2.3 percent, which increased compared to the same period in the first half of 2012 by 0.1 percentage points.

The rate on new deposits in foreign currency also increased by 0.1 percentage points up to 0.8 percent.

In the first half of 2013 banks continued to increase the loan portfolio against the background of lowering interest rates both on KGS and foreign currency borrowings. One feature of the total loan portfolio growth of banks in the reviewed period was noticeable increase in the volume of loans to agriculture, which became possible as a result of government support measures of the industry.

In the current year, the government launched the project "Financing Agriculture" the purpose of which is to support agricultural producers of the republic for timely conduction of spring field work and further development of animal husbandry and processing sector in agriculture. Under the terms of the project the government subsidizes commercial banks and specialized financial institutions for credit placement of soft loans at the rate of 10 percent of funds from the national budget. At the end of June, total credit liabilities of the project amounted to 2.6 billion KGS or 5.5 percent of total banking credit portfolio.

At the end of the first half of 2013 the loan portfolio of commercial banks amounted to 47.0 billion KGS that increased by 17.1 percent since the beginning of the year. The loan portfolio in KGS increased by 23.5 percent that amounted to 22.9 billion KGS. At the end of

¹ The data presented according to regulatory reports of commercial banks.

² Customer accounts in banks are not considered in the volume of new deposits.

June the volume of loans in foreign currency amounted to 24.0 billion KGS, exceeding the corresponding indicator at the beginning of the year by 11.6 percent.

At the end of the period under review loan portfolio of banks by industry distributed in the following manner. The share of loans in the trade occupying the most part of the loan portfolio decreased by 1.5 percentage points (up to 38.4 percent). In addition, there was a decline in mortgage loans till 9.6 percent (-0.1 p.p.) and for consumer purposes from 9.4 to 8.6 percent. Moreover, there was an increase in the share of industry loans (by 0.1 p.p. to 5.7 percent) and of agriculture (by 3.3 p.p. to 18.4 percent). Since the beginning of the year the share of credit in construction has not changed, remaining at 5.4 percent of the total loan portfolio. Loans in the transport sector, communication, procurement and processing and for social services, as before had small proportion – a total of about 4.2 percent. The share of "other" loans in January-June 2013 decreased from 10.3 to 9.6 percent.

The volume of newly issued credits in the first half of 2013 amounted to 26.5 billion soms, which is by 45.9 percent higher than the amount issued in the same period of 2012. Loans in national currency increased by 61.7 percent, and in foreign currency by 32.6 percent.

In the first six months of 2013 average weighted interest rate on new loans in the national currency decreased compared to the same period in 2012 by 1.7 percentage points up to 20.9 percent, while in foreign currency – 0.4 percentage points up to 19.8 percent.

Non-banking financial institutions licensed by the NBKR

As of June 30, 2013 the number of non-banking financial institutions (NBFIs) in Kyrgyz Republic was 792 out of which: JSC "Financial Company of Credit Unions" (FCCU) – 1, credit unions (CUs) – 164, microcredit Companies (MCC) – 225, microcredit Agency (MCA) – 72, microfinance companies (MFC) – 5, exchange bureaus – 325 (in the same period of 2012 the number of FCCUs was 893).

Since the beginning of the year the total loan portfolio of NBFIs increased by 2.7 billion KGS or by 17.8 percent and as of June 30, 2013 amounted to 18.1 billion KGS. Furthermore, since the beginning of the year the number of NBFIs borrowers increased by 6.1 percent to 460787 people (as of December 31, 2012 – 434149 people). The number of borrowers compared with the first half of 2012 increased by 2.9 percent (on June 30, 2012 – 447975 people).

Table 4. The credit portfolio of NBFIs¹ (in million KGS)

Names of NBFIs	30.06.2012	%	31.12.2012	%	30.06.2013	%
NBFI	436,80	0,5	409,20	-5,9	449,80	9,9
MFI (MFC, MCC/MCA) ²	13 275,80	-8,4	14 060,90	-3,0	16 697,50	18,8
Credit Unions	1 268,10	3,0	1 344,60	9,2	1 446,70	7,6
TOTAL	14 543,90	-7,4	15 405,50	-1,9	18 144,20	17,8

¹ The presented data excludes FCCU (since FCCU were granted to credit unions)

² As of March 31, 2013 the deposits attracted 12 credit unions (under the license of National Bank of KR).

* MCC / MCA provide reports on a semiannual basis.

The weighted average interest rate on NBFIs loans on June 30, 2013 was: on loans of Financial Company of Credit Unions (FCCU) – 15.69 percent, on microfinance institutions (MFIs) – 34.03 percent and credit unions (CUs) – 31.50 percent (weighted average interest rate on June 30, 2012: FCCU – 15.94 percent, MFI – 36.94 percent and CU – 27.71 percent, respectively).

Since the beginning of the year the deposit base of NBFIs (credit unions)¹ increased by 26.1 percent or 13.4 million KGS as of June 30, 2013 amounted to 64.7 million KGS (on December 31, 2012 – 51.3 million KGS).

¹ As of June 30, 2013 the deposits are attracted by 12 credit unions (under the license of the NBKR).