

National Bank of the Kyrgyz Republic

Inflation Report

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Inflation Report

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

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Other Publications of the National Bank of the Kyrgyz Republic

Annual Report of the National Bank of the Kyrgyz Republic

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

Bulletin of the National Bank of the Kyrgyz Republic

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

Balance of Payments of the Kyrgyz Republic

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

Banking System Development Trends

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

Statutory Acts of the National Bank of the Kyrgyz Republic

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

Press Release of the National Bank of the Kyrgyz Republic

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

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Chapter 1. Economic Status of the Kyrgyz Republic

1.1. Demand and Supply in the Commodities and Services Market

1.1.1. Demand

According to the preliminary data for January-June 2011, the GDP volume in current prices increased by 5.5 percent against the comparable indicator of 2010 to make 103.5 billion KGS, whereas in January-June of 2010, the GDP volume increased by 4.4 percent. Not considering enterprises engaged in developing of the gold ore deposits “Kumtor”, the GDP volume increased by 4.6 percent (in January-June of 2010, increase in the similar indicator constituted 0.6 percent). According to the preliminary data for first half year of 2011, the GDP deflator made 16.0 percent against 4.4 in January-June of 2010.

In January-March of 2011¹, GDP, calculated by expenditure method, increased by 0.4 percent in compare with corresponding indicator of 2010 (in January-March of 2010 the increase made 16.8 percent). While in first quarter of 2010 GDP increase was mainly ensured by export growth, in January-March of 2011 GDP increase was built up by final consumption expense growth and significant growth of gross savings. Besides, it should be considered that significant growth of the gross savings volume was built against the low base of the first quarter of 2010.

Table 1.1.1. Real GDP Growth Rates by Expenditure
(period against corresponding period of the previous year, percent)

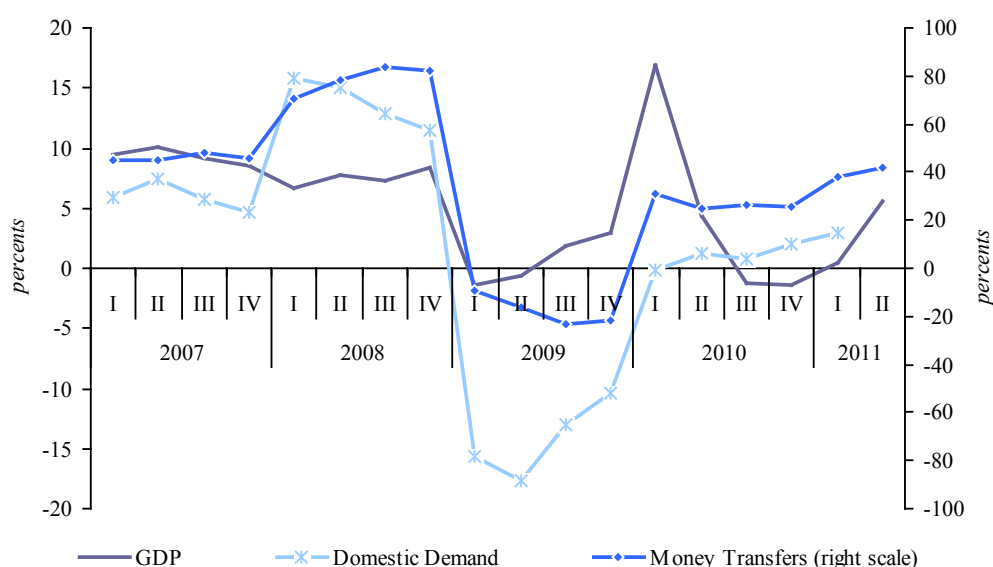
	2010				2011
	I	II	III	IV	I
Used GDP	16.8	4.4	-1.2	-1.4	0.4
Final consumption	1.8	3.5	4.0	3.9	1.6
Individual consumption	1.9	3.8	4.2	4.1	1.5
Households	2.1	4.2	4.6	4.6	1.6
NCO Servicing Households	2.7	2.0	2.0	2.0	1.1
Governmental institutions	-0.2	0.5	0.7	0.5	0.4
Collective consumption	0.8	1.5	1.9	1.7	2.1
Gross savings	-13.9	-9.8	-12.0	-4.5	13.6
Export	32.1	0.7	-4.6	-4.2	-10.3
Import	0.4	-0.6	0.3	1.6	-7.4

According to the National Statistics Committee

Mentioned changes in GDP structure by expenditure attest significant contribution to GDP growth of domestic demand (amount of expenditures of final consumption and gross savings), added up due to significant flow of remittances from individual entities.

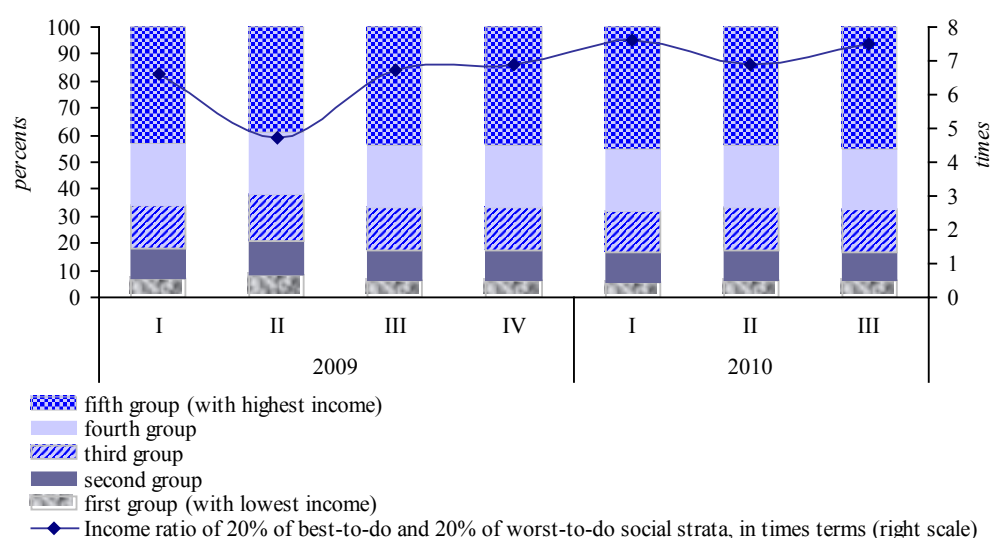
¹ Hereinafter, the reference to earlier periods was conditioned by the lack of data for the second quarter of 2011.

Chart 1.1.1. Dynamics of GDP Changes, Domestic Demand and Money Transfers
(period starting the beginning of the year to corresponding period of previous year, percent)



High portion of income concentration within well-off population still defines total income distribution for high income groups. Thus, the share of proceeds of well-off group composed in January-September 2010 45.0 percent from total income of population, which increased 1.5 percentage points in comparison with the same index in year of 2009. Income portion of 20 percent of population with lowest income decreased 0.4 percentage points and composed 6.0 percent.

Chart 1.1.2. Structure of Personal Monetary Income by Quintile Groups
(since the beginning of the year)



According to the preliminary data for the first half year of 2011, there was recorded an increase in remittances through money transfer systems. In January-June 2011, the overall volume of net inflow increased by 42.0 percent, whereas in January-June 2010 increase of corresponding index composed 25.1 percent. Overall, increase in money transfers remittances is due to dynamic economic development of Russia and Kazakhstan countries, since main portion of money transfers comes from these countries (93.3 percent from Russia, 2.6 percent from

Kazakhstan). Herewith, it should be marked that significant part of remittances outflow from the country falls on Russia (97.1 percent).

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

	2008	2009	2010	Jan-Jun 2010	Jan-Jun 2011**
Balance	1,138.2	893.2	1,124.9	453.0	643.3
Inflow	1,205.5	966.7	1,252.6	495.8	724.1
CIS countries	1,141.4	894.4	1,199.3	467.9	693.1
Kazakhstan	27.9	31.4	35.0	17.2	16.7
Russia	1,113.5	862.9	1,164.3	450.7	675.9
Others	0.1	0.0	0.0	0.0	0.6
Far-abroad countries	64.1	72.3	53.3	27.9	31.0
Belgium	0.5	0.5	0.2	0.1	1.3
Great Britain	1.8	1.4	1.4	0.7	0.8
Germany	0.2	0.7	9.9	4.5	10.9
USA	61.4	69.5	41.7	22.6	17.3
Others	0.2	0.3	0.1	0.0	0.7
Outflow	67.3	73.6	127.6	42.8	80.9
CIS countries	65.0	71.8	125.8	42.0	79.2
Kazakhstan	2.5	0.7	0.4	0.2	0.4
Russia	62.5	71.1	125.4	41.8	78.5
Others	0.0	0.0	0.0	0.0	0.3
Far-abroad countries	2.3	1.8	1.8	0.8	1.7
Belgium	0.1	0.2	0.5	0.3	0.2
Germany	0.4	0.4	0.3	0.1	0.8
USA	1.7	1.1	0.9	0.3	0.5
Others	0.1	0.1	0.2	0.1	0.2

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

** preliminary data.

According to the preliminary data of the Central Treasury of the Ministry of Finance, the surplus of the state budget constituted 0.2 billion KGS or 0.2 percent to GDP in January-June 2011 (in the corresponding period of 2010, the surplus of the state budget constituted 1.3 billion KGS or 1.5 percent to GDP).

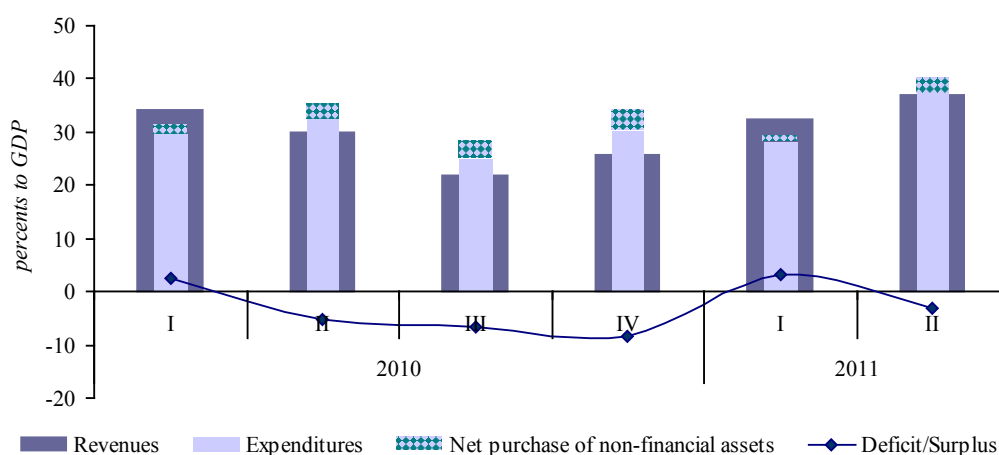
Income and received official transfers of the state budget increased by 33.9 percent as compared to the corresponding index of 2010 and constituted 36.2 billion KGS or 34.9 percent to GDP. At that, tax revenues and non-tax revenues provided contribution to the growth of the state budget from operating activity by 30.5 percentage points, whereas the contribution of official transfers revenues composed 3.4 percentage points.

In January-June 2011, the overall state budget's expenditures for operational activity amounted to 34.3 billion KGS or 33.1 percent to GDP, thus, increased by 30.8 percent or 8.1 billion KGS as compared to the similar index of 2010. There is the tendency for increase in the budget expenditures for current consumption as a result of salary increase to education and health employees. For instance, salary expenditures and contributions to the Social Fund of the Kyrgyz Republic as well as for social allowance in January-June 2011 constituted 55.0 percent of the overall volume of the government expenditures for operational activity, thus, increased by 22.8 percent as compared to the similar index of 2010.

In the reporting period, net outflow of money assets for non-financial assets acquisition operations constituted 2.2 billion KGS, which was by 66.8 million KGS or 3.2 percent more in comparison with the corresponding index of 2010.

According to the preliminary data of the Social Fund of the Kyrgyz Republic, in January-June of 2011, the surplus of the Social Fund budget constituted 0.2 billion KGS or 0.2 percent to GDP, revenues – 10.4 billion KGS or 10.1 percent to GDP, expenditures – 10.2 billion KGS or 9.9 percent to GDP.

Chart 1.1.3. State budget implementation
(for the period)



According to the preliminary data for January-June 2011, the volume of investment to the fixed capital decreased by 3.7 percent as compared to similar indicator of 2010 and it constituted 15.8 billion KGS, while as per results of the first half year of 2010 this indicator decreased by 18.1 percent. In spite of significant growth in the volume of investments in mining and manufacturing industry, negative trend in growth of the volume of investments in the fixed capital was composed mainly by decrease of mastered funds on facilities that produce and distribute electric power, gas and water (building HPS “Kambar-Ata-2”), transportation and communication (decrease of investments in reconstruction project of road “Bishkek-Naryn-Torugart”).

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

	Jan-Jun 2010	Jan-Jun 2011	Jan-Jun 2010	Jan-Jun 2011
	million KGS		percents to total	
Total	13,180.6	15,816.5	100.0	100.0
Internal investments	9,856.3	13,205.0	74.8	83.5
Republican budget (including funds intended for emergencies)	347.3	1064.8	2.6	6.7
Local budget	152.7	107.7	1.2	0.7
Funds of enterprises and organizations	3600.1	6656.2	27.3	42.1
Bank credit	1603.9	214.3	12.2	1.4
Population funds	4149.8	5162.0	31.5	32.6
External Investments	3,324.3	2,611.5	25.2	16.5
Foreign credit	1906.9	1265.5	14.5	8.0
Direct foreign investments	1104.7	957.3	8.4	6.1
Foreign grants and humanitarian aid	312.7	388.7	2.4	2.5

Source: NSC KR

In January-June 2011, in the structure of investment financing sources for the fixed capital, which takes the most shares in overall volume of investments, there was marked an increase of investments due to internal sources by 7.4 percent and external sources decreased by 36.7 percent against to the comparable indicators of 2010. In January-June 2011, internal investments were mainly financed due to funds of enterprises and organizations and population funds. The main focus of internal investments in January-June 2011 were economical partnerships and companies with foreign participation in capital (mainly gold ore deposits “Kumtor” developing enterprises), also individual housing construction, which growth is marked particularly in Osh region and cities Bishkek and Osh

In January-June 2011, in the sectoral structure of investments to the fixed capital, the largest share was accounted for the mining industry – 32.5 percent (investments into the enterprises, engaged in development of the gold ore deposits “Kumtor”), transportation and communication – 13.8 percent (reconstruction of automobile roads “Talas-Taraz-Suusamyр”, “Bishkek-Naryn-Torugart”, “Bishkek-Kordai”, “Osh-Irkeshtam”, “Osh-Isfana”, rehabilitation of roads in accordance with the project “Improvement of the Regional Road Corridor”).

By the end of June of 2011, the volume of commercial banks credit portfolio increased by 8.4 percent as compared to the beginning of the current year (by the end of June 2010, the commercial banks credit portfolio increased by 2.2 percent) and made 28.6 billion KGS. The dynamics of the credit volume since the beginning of current year attests positive trend of credit market development.

Table 1.1.4. Sectoral Structure of Commercial Banks’ Credit Portfolio

	Jan-Jun 2010		Jan-Jun 2011	
	total, million KGS	growth pace, percents	total, million KGS	growth pace, percents
Credit portfolio	25,762.4	102.2	28,599.6	108.4
Trade and commercial transactions	11,090.9	106.1	12,781.9	112.7
Agriculture	3,336.8	108.2	3,997.9	119.4
Industry	1,377.0	99.2	1,618.9	109.3
Mortgage	2,934.3	95.0	2,759.6	96.7
Construction	1,930.6	99.0	1,736.7	85.2
Consumer credits	1,879.4	92.7	2,216.3	117.7
Others	3,213.3	99.9	3,488.3	101.4

Loans that were given by micro-financial organizations and credit unions, that hold main share in overall credit structure of non-bank financial credit institutions (NFCI), increased by 36.4 percent comparing to corresponding index in 2010 and as of the end of June 2011 constituted 13.2 billion KGS. In January-June 2011, in sectoral structure the biggest share of granted loans was held by industry of agriculture (52.1 percent) and trade and commerce (26.6 percent).

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

	Jan-Jun 2010		Jan-Jun 2011	
	total, million KGS	growth pace, percents	total, million KGS	growth pace, percents
Credit portfolio	9,696.4	117.1	13,225.0	136.4
Agriculture	4,825.8	136.1	6,890.8	142.8
Trade and commerce	2,973.0	105.4	3,517.6	118.3
Others	277.9	41.2	864.3	311.0
Services	487.5	115.4	437.7	89.8
Consumer credits	444.9	153.9	809.1	181.8
Construction and mortgage	225.7	112.7	275.5	122.1
Industry	196.3	119.5	230.5	117.4
Transportation and communication	119.2	83.0	169.9	142.5
Procurement and processing	146.0	680.8	29.6	20.3

1.1.2. Supply

In January-June 2011, the main contribution into the GDP growth was made by industry enterprises (3.1 percentage points) mainly due to production volume increase in deposits “Kumtor” enterprises and increase of production and distribution of electrical power, gas and water. Besides that, significant contribution to GDP growth was made by enterprises of transportation and communication in January-June 2011.

The volume of aggregate supply of goods and services in January-June 2011 was provided by production of the processing industry by 20.4 percent, trade – by 16.1 percent, agriculture – by 10.9 percent, transportation and communication – by 10.1 percent out of the total GDP volume.

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

	Jan-Jun 2010		Jan-Jun 2011	
	growth rate, percent	contribut. to growth, p.p.	growth rate, percent	contribut. to growth, p.p.
Gross domestic product	4.4	4.4	5.5	5.5
Gross added value	4.4	3.9	5.5	4.9
Agriculture, hunt and forestry	0.1	0.0	0.9	0.1
Mining industry	7.8	0.0	11.2	0.1
Processing industry	50.1	6.4	11.9	2.2
Production and distribution of electric power, gas and water	13.4	0.3	25.8	0.9
Construction	-23.4	-1.4	-12.2	-0.5
Trade, repairs	-9.2	-1.7	3.0	0.5
Hotels and restaurants	-8.0	-0.1	7.4	0.1
Transportation and communication	1.4	0.1	14.1	1.4
Financial activity	1.3	0.0	8.6	0.1
Real estate operations, lease	-1.1	-0.1	-1.8	-0.1
State management	1.5	0.1	4.3	0.3
Education	0.6	0.0	-1.2	-0.1
Healthcare and provision of social services	0.8	0.0	1.0	0.0
Provision of public utility and personal services	-1.9	0.0	0.4	0.0
Net taxes for products	4.4	0.5	5.5	0.6

Source: NSC KR

According to the preliminary data for the first half year of 2011, the physical volume index (PVI) of industrial production increased by 13.9 percent against the comparable indicator in 2010 (in January-June 2010, the PVI of industrial production increased by 42.3 percent). Growth of industrial production PVI is mainly due to increase of metallurgical production volume – enterprises engaged in development of the gold ore deposits “Kumtor” (12.4 percent), textile and garment production (37.0 percent), manufacture of other non-metallic mineral products (27.3 percent), production of vehicles and equipment (in 2.4 times), and also an increased production and distribution of electrical power, gas and water (25.8 percent). Not considering enterprises engaged in development of deposits “Kumtor” there was marked an industrial production PVI growth on 15.0 percent level, although corresponding index in 2010 increased by 27.3 percent.

According to preliminary data for the first half year of 2011, there was registered a production growth in agriculture by level of 0.9 percent (in January-June 2010 production volume of agricultural products increased by 0.1 percent).

There has been an increase in turnover in trade, according to preliminary data in January-June 2011, by 3.5 percent, which is mainly due to low base of the first half year of 2010, based on the political instability background (in similar period in 2010 it decreased by 11.6 percent). Among that growth of retail trade turnover was marked by 1.5 percent (in January-June of 2010 it decreased by 6.9 percent).

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

	Jan-Jun 2010		Jan-Jun 2011	
	share, percent	growth rate, percent	share, percent	growth rate, percent
Trade	100.0	88.4	100.0	103.5
Sales of auto and moto machinery and details	3.4	87.6	3.0	107.4
Maintenance and repairs of auto	0.5	87.8	0.5	111.5
Retail sales of motor fuel	9.3	87.3	9.6	116.2
Wholesale	32.3	81.5	32.4	102.9
Retail sale	54.3	93.1	54.3	101.5
Repair of household items	0.2	80.4	0.2	89.2

Source: NSC KR

1.2. Trends in Monetary Sphere

Monetary Base

As of July 1, 2011, the monetary base increased by 10.8 percent in the second quarter of 2011 (in the second quarter of 2010 the increase in monetary base constituted 4.2 percent) to make 49.9 billion KGS. As of July 1, 2011, the monetary base on an annualized basis increased by 21.9 percent.

In the second quarter of 2011, the monetary base growth constituted 4.8 billion KGS due to Government operations (3.2 billion KGS) and National Bank of Kyrgyz Republic operations (1.6 billion KGS). For comparison: in the corresponding period of 2010, the monetary base increased by 1.6 billion KGS, at that contribution of the Government into the monetary base growth made about

4.9 billion KGS and operations of the National Bank of the Kyrgyz Republic decreased the monetary base by 3.3 billion KGS.

As of July 1, 2011, money in circulation constituted 45.5 billion KGS, having increased by 11.5 percent in the reporting period (in the corresponding period of 2010, the increase constituted 7.0 percent). The increase in money in circulation on an annualized basis made 23.3 percent as of July 1, 2011.

As per results of the second quarter of 2011, in the monetary base structure there was an increase in the share of cash in circulation from 90.5 percent as of the end of March 2011 to 91.1 percent as of the end of June 2011, correspondingly the share of funds on correspondent accounts of commercial banks in the National Bank of the Kyrgyz Republic decreased from 9.5 to 8.9 percent.

Aggregate M2

As of July 1, 2011, the money stock M2 (M0 + deposits in the national currency) constituted 56.3 billion KGS, having increased in the reporting period by 10.1 percent (in the second quarter of 2010, the money stock M2 increased by 7.4 percent). Also, there was an increase in components of the monetary aggregate M2: 11.4 percent increase for money outside banks (M0), 5.9 percent increase for deposits in the national currency, including other deposits (fixed deposits) which increased by 12.8 percent; whereas transferrable deposits (call deposits) increased by 2.7 percent.

As of July 1, 2011, the growth of the money stock M2 constituted 22.7 percent on an annualized basis.

Aggregate M2X

As of July 1, 2011, the volume of broad money stock M2X (M2 + deposits in foreign currency) constituted 73.1 billion KGS, having increased by 9.6 percent in the second quarter of 2011 (in the corresponding period of 2010, the increase in M2X constituted 1.4 percent). The overall volume of deposits¹, included into the definition of broad money stock M2X, also increased by 7.1 percent, including deposits in the national currency (increase by 5.9 percent), whereas deposits in foreign currency increased by 8.1 percent (in the corresponding period of 2010, the overall volume of deposits decreased by 8.3 percent, and money outside banks increased by 8.5 percent).

As of July 1, 2011, the volume of broad money stock M2X increased by 27.9 percent on an annualized basis.

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

- the share of money outside banks increased from 58.5 to 59.5 percent;
- the share of deposits in the national currency decreased from 18.2 to 17.6 percent;

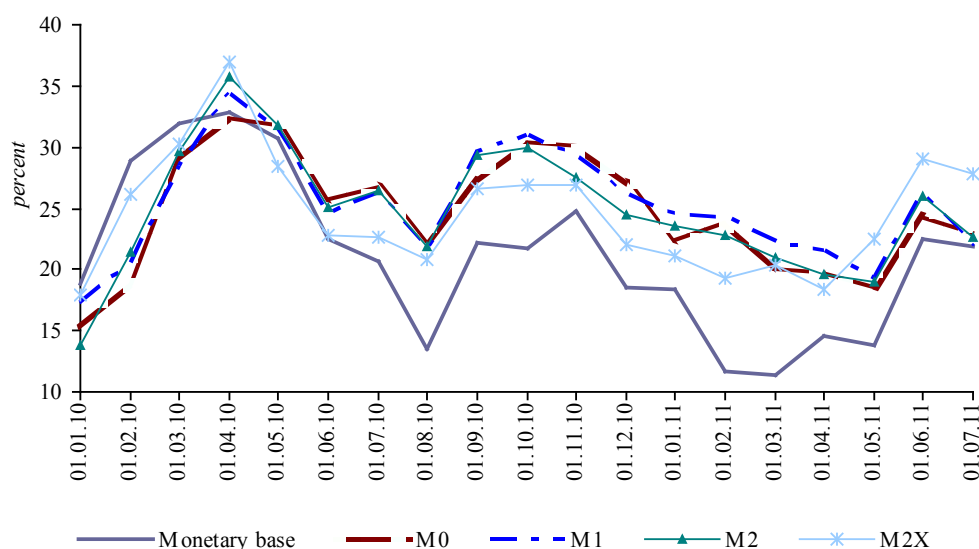
¹ According to the analytical balance of the banking system includes individual and legal entities' deposits as well as deposits of other financial institutions except for the Government's and non-residents' deposits.

- the share of deposits in foreign currency decreased from 23.2 to 22.9 percent.

In the second quarter of 2011, the multiplier of broad money stock M2X, which characterizes a degree of financial intermediation, decreased from 1.477 as of the end of March 2011 to 1.462 as of the end of June 2011 (1.393 as of the end of June 2010).

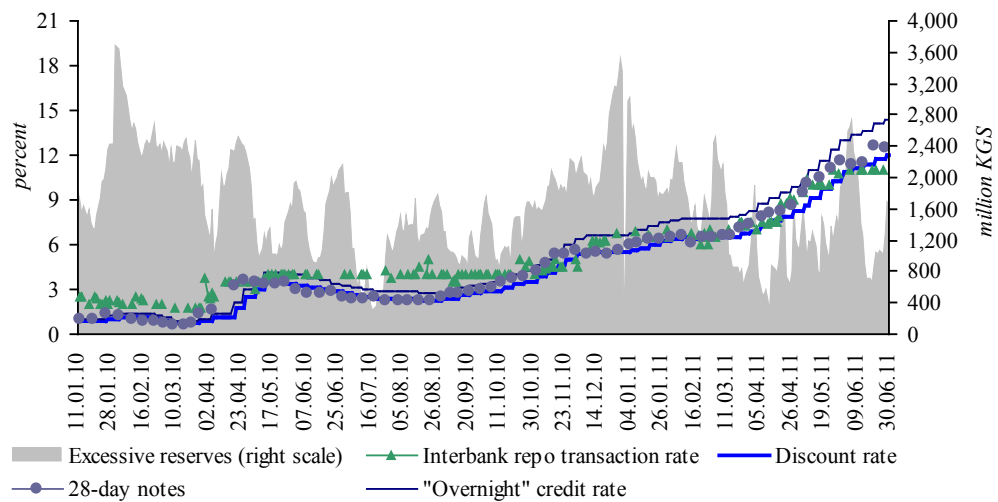
In the second quarter of 2011, velocity of broad money stock M2X circulation did not change and remained on 3.5 level as of the end of June 2011 (as of the end of June 2010 – 3.9). The reverse indicator of circulation velocity – monetization coefficient of the economy calculated on the basis of the monetary aggregate M2X – did not change also, constituting 28.4 percent as of the end of June 2011 (as of the end of June 2010 – 25.5 percent).

Chart 1.2.1. Annual Nominal Growth Rates of Monetary Aggregates



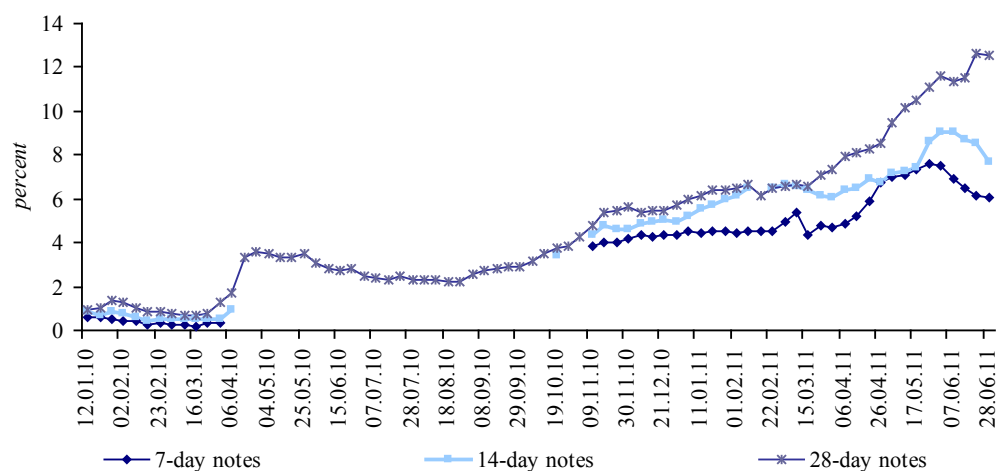
In the second quarter of 2011, situation in the financial market was developed, as before, under the influence of fluctuations in liquidity in banks and also expectations of market participants, associated with the acceleration of inflation. During the reporting quarter, the fluctuations in reserves level in banks were significant, against the background of which demand for government securities stayed low and their yield was growing. There was an increase in demand on inter-bank market of credit resources, which reflected on growth of activity and further appreciation of resources. Besides that, an increase of demand on National Bank of Kyrgyz Republic tool “overnight” was registered, as a result of that volume of these operations increased almost ten times.

Chart 1.2.2. Dynamics of Monetary Market Rates



In the second quarter of 2011, the National Bank of the Kyrgyz Republic increased the supply of 14- and 28- day notes, leaving proposed volumes of 7-day notes at the same level. However, the demand for notes stayed low and did not reach the volume of the supplied securities on most auctions. As a result, rate of growth in profitability of notes was increased compared to previous quarter. So, average profitability of 7-day notes increased by 1.9 percentage points as compared to profitability rate of the first quarter of 2011 and constituted 6.5 percent; profitability of 14-day notes of the NBKR increased by 1.6 percentage points up to 7.7 percent, and profitability of 28-day notes increased by 3.8 percentage points, making it to 10.3 percent. In comparison with the corresponding period of 2010, profitability rate of 14-day notes increased by 6.8 percentage points and 28-day notes – by 7.3 percentage points. In first quarter of 2010 7-day notes of NBKR were not distributed.

Chart 1.2.3. Dynamic of the NBKR Notes Profitability Rate



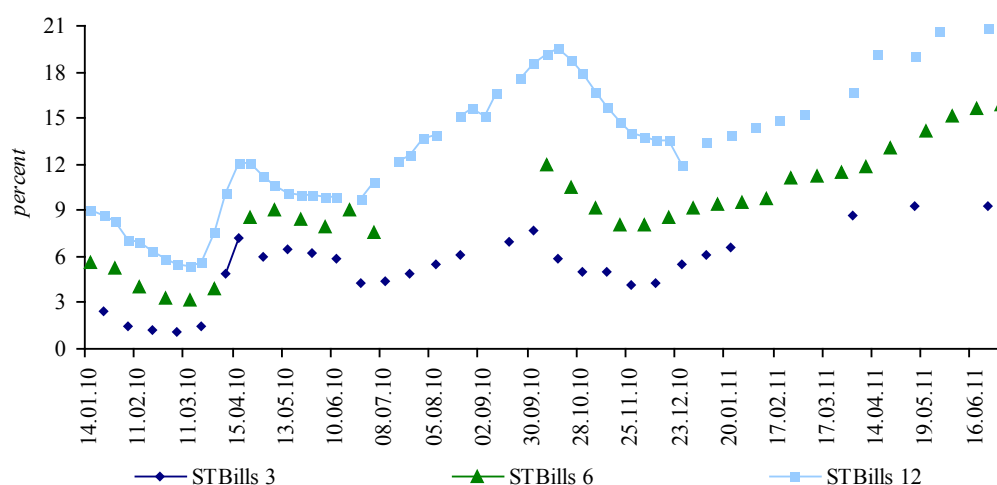
A discount rate, determining as an averaged value of the NBKR 28-day notes profitability, developed at the last four auctions, made 12.0 percent as of the end of June, having increased by 6.5 percentage points from the beginning of

the year. Correspondingly, the rate for “overnight” credits also increased and amounted to 14.4 percent by the end of the reporting quarter, and the volume of issued “overnight” credits constituted 3.4 billion KGS applying the average rate of 11.3 percent.

STBond demand also stayed low, and, therefore, most auctions were declared as frustrated because of the lack of demand, and in June none of auctions took place. Weekly supply volumes remained on the level of 117.0 million KGS. As a result, STBonds profitability trend continued, which average value constituted 19.6 percent (+0.4 percentage points) in second quarter. As regards to corresponding period in 2010 STBonds profitability grew by 2.8 percentage points.

In the STBills primary market, the Ministry of Finance of Kyrgyz Republic slightly decreased supply of the bills against low demand and growing profitability. Investors’ interest kept staying low, which most of all was determined by commercial banks policies, in most of which there was marked a shortage of KGS liquidity. As a result, STBills profitability continued growing, which average value in reporting quarter constituted 18.2 percent (+4.8 percentage points). Also, profitability of 3-month STBills increased by 1.8 percentage points and made 9.3 percent, 6-month STBills – by 3.6 percentage points to 14.1 percent, and average weighted profitability of 12-month STBills increased by 5.4 percentage points, constituting 20.2 percent. As regards of profitability in corresponding quarter of 2010 overall STBills profitability level increased by 8.7 percentage points, at that profitability increase was marked in all market’s segments: 3-month STBills – by 3.5 percentage points, 6-month STBills – by 5.5 percentage points and 12-month STBills – by 9.7 percentage points.

Chart 1.2.4. Dynamic of STBills Profitability Rate



The situation on inter-bank market of credit resources was defined by the same factors as in previous months - fluctuations in the level of liquidity in banks and conjuncture of other segments of financial market. There was marked a decrease of the volume of excess reserves in banks and increase of fluctuations of its level. That led to increase of demand for inter-bank borrowed resources,

also for “overnight” NBKR credits and further growth of resources’ cost, which was contributed to growth of profitability of Government securities and NBKR discount rate.

The overall volume of KGS loans in the inter-bank market of credit resources constituted 1991.0 million KGS, having increased in two times as compared to the corresponding index of the previous quarter. As before, considerable share of bargains was concluded in the segment of REPO-transactions. The overall volume of REPO-transactions constituted 1535.7 million KGS (+71.6 percent). The volume of traditional credit transactions in KGS constituted 455.4 million KGS (+in 6 times). The average weighted interest rate for REPO-transactions in reporting quarter increased by 2.9 percentage points to 9.7 percent; whereas that of credit transactions – by 3.0 percentage points and constituted 10.0 percent. In comparison with the average weighted interest rate in the corresponding quarter of 2010, the rate for REPO-transactions increased by 6.2 percentage points, and for traditional credit transactions in national currency – by 5.1 percentage points.

In the segment of transactions in foreign currency of the domestic inter-bank credit market, the volume of transactions amounted to 18.1 million KGS in the equivalent at the rate of 5.0 percent, increased by 4.0 percentage points.

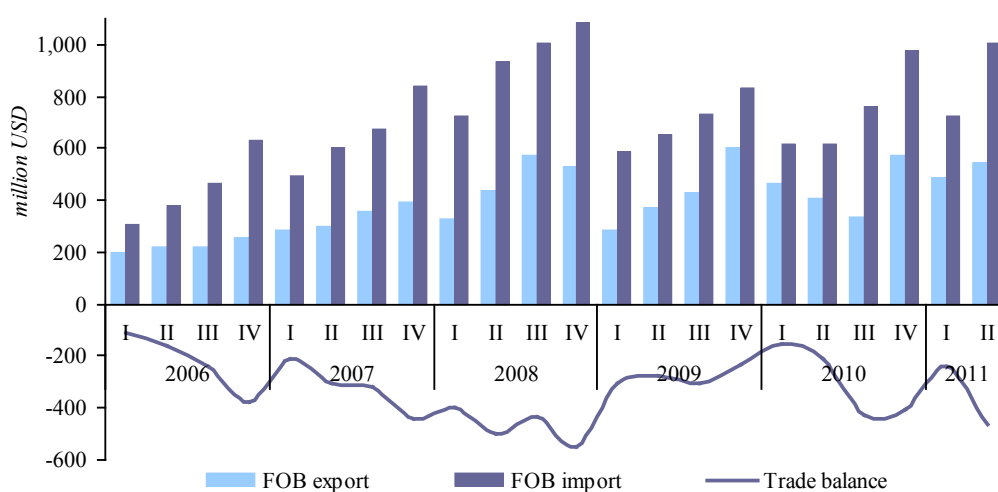
1.3. External Economic Conditions

Trade Balance¹

According to the preliminary data, the deficit of trade balance of Kyrgyz Republic in the second quarter of 2011 increased in 2.2 times as compared to the index of the second quarter of 2010 and constituted 465.1 million USD.

In the reporting period, the foreign trade turnover increased by 51.7 percent as compared to the corresponding period of 2010 and constituted 1 553.2 million USD.

Chart 1.3.1. Foreign Trade



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

In the second quarter of 2011, the export of goods (in FOB prices) constituted 544.0 million USD, having increased by 33.5 percent in comparison with the second quarter of 2010. As before, gold supply had a prevailing influence on export dynamics, its export volume increased by 83.5 percent, reaching level of 222.9 million USD. Besides that, there was marked a significant increase in physical volume of electrical energy supply. Though, since the beginning of the year chemical elements supply still did not occur.

In reporting period, unit weights of main groups of the exported goods¹ were as follows: intermediate goods constituted 55.3 percent out of the total volume of export; consumer goods – 25.3 percent; energy products – 9.5 percent; raw stock and investment goods – 4.7 and 5.2 percent correspondingly.

Consumer goods export increased by 34.5 percent and constituted 122.6 million USD. This increase was defined by supply growth of food products (+33.4 percent) and non-food products (+35.3 percent).

First of all, in food products structure, raised by 43.2 percent (by 6.8 million USD) export of vegetables, which was defined by growth of physical volume of supply and export cost. Also, as a result of significant increase of physical volume of supply, there was registered a growth of milk and dairy products export (by 71.3 percent or by 3.8 million USD).

In non-food products structure export growth was observed by retail positions like: clothes and accessories (by 18.4 percent or by 7.7 million USD), automobiles (in 6.7 times or 1.1 million USD) – most of all due to increase of physical volume of supply. Besides that, there was registered an export growth of incandescent lamps (by 41.6 percent or by 1.4 million USD), as a result of physical volume of supply growth and price increase.

Imports of goods² in FOB prices increased by 63.7 percent in the second quarter of 2011 and amounted to 1,009.2 million USD. The main factor, that determined the dynamics of products import, is growth of mineral oil products supply in more than two times, which was determined by growth of physical volume of supply by 56.3 percent and price increase by 35.6 percent. Due to an increase of physical volume of supply and price increase, significantly increased import value of jet fuel (in 2.9 times and 99.5 million USD) and diesel fuel (in 2.1 times or by 42.9 million USD). Besides that, despite the decline in import prices, significant growth of physical volume of supply led to revenue growth of automobile fuel (by 53.9 percent or by 28.3 million USD).

Pursuant to the functional structure³, as per results of the second quarter of 2011, the largest commodity headings in import transactions were the energy products (32.8 percent of the total volume of imports), consumer goods (31.8 percent), intermediate goods (20.9 percent) and investment products (11.6 percent).

¹ Hereinafter according to NSC KR and SCS KR, without regard to NBKR final evaluations.

² CIF imports made 1098.0 million USD, while deficit of trade balance amounted to 553.9 million USD.

³ Hereinafter in CIF prices, according to NSC KR and STS KR, without regard to NBKR final evaluations.

In the reporting period import of consumer goods increased by 60.6 percent and reached the volume of 349.1 million USD. Herewith, there was marked the 77.9 percent growth of food products, whereas the inflow of non-food products constituted 50.5 percent.

In the structure of food products, as a result of increase both in the physical volume of supplies and in import prices, there was growth of sugar import in value terms (in 2.9 times or by 11.0 million USD), flour (in 7.8 times or by 7.0 million USD), meat and meat products (by 34.2 percent or by 3.9 million USD) and non-alcoholic drinks (by 66.3 percent or by 3.5 million USD).

Besides that, despite the decline in import prices, significant growth of physical volume led to an increase in beer supply (in 2.1 times or by 4.6 million USD). Due to higher prices, import volumes of vegetable oil have been increased (by 39.1 percent or by 4.2 million USD). At the same time there was a reduction of import revenues of margarine and shortening (by 9.0 percent or by 0.3 million USD).

As a result of increase of physical volume of supply and import price increase, there was marked a growth of wood supply (by 84.6 percent or by 5.1 million USD). The significant increase in the physical volume, while decrease in import prices, has determined growth of medication import (by 17.8 percent and by 4.5 million USD). Due to price increase in more than two times, there was marked a growth in telephone machine supply (in 2.2 times or by 11.0 million USD). Also, there was registered a significant growth of import supplies of clothes and accessories (by 55.0 percent or by 9.4 million USD) and shoes (by 60.9 percent or by 3.8 million USD).

1.4. Exchange Rate

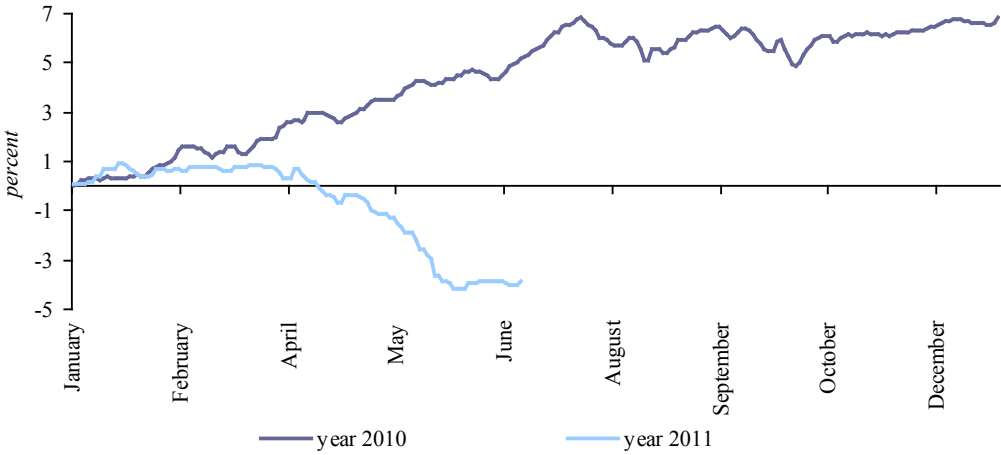
In the second quarter of 2011, the USD exchange rate in the domestic exchange market continued slowing down, beginning from the end of the first quarter. The main factor was growing currency revenue through money transfers system from labor immigrants. Besides that, certain banks, feeling the lack of KGS liquidity, were actively selling USD liquidity, which also reflected an increase of currency supply on the market. National Bank of Kyrgyz Republic was holding operations both in sale and purchase of USD currency on inter-bank currency auctions, which were aimed to smooth out the sharp exchange of the rate fluctuations.

The volume of NBKR operations for purchasing USD currency constituted 61.1 million USD for the quarter. Operations for selling USD currency constituted 29.0 million KGS, decreased by 53.6 percent in comparison with first quarter. In compare with corresponding quarter of 2010, the volume of NBKR operations for selling USD currency decreased by 67.9 percent, and for purchasing USD currency increased in 27.2 times.

As of the end of June, the USD official rate constituted 45.2067 KGS/USD,

having decreased by 4.0 percent from the beginning of the year (as per results of the second quarter of 2010, the USD official rate increased by 5.2 percent).

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



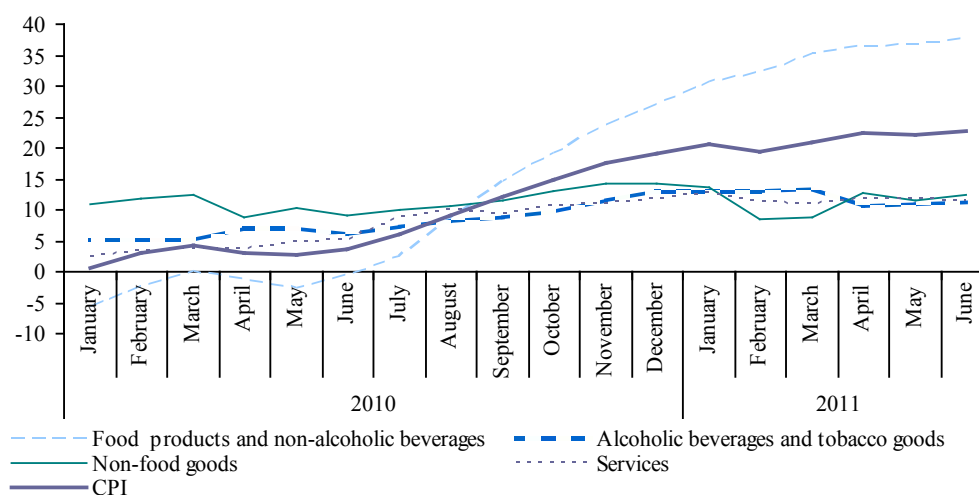
Chapter 2. Inflation and Its Components

2.1. Consumer price index development¹

Annual CPI inflation (June 2011 against June 2010) reached 22.7 percent, whereas in the comparable period of 2010 it was 3.6 percent. The highest growth of the consumer price index was marked for food products and non-alcoholic drinks. In annual terms this group of goods went up by 37.5 percent. There was increase in prices for non-food products (12.5 percent); for alcoholic beverages and tobacco goods (11.3 percent) and for paid services (11.6 percent).

Main factors, influencing the formation of overall price growth in Republic, became: significant price increase for grain and other import food products from Kazakhstan and Russia, export demand increase from other neighboring countries for domestic agricultural products, price growth for non-food products (clothes and footwear, natural gas), and also for restaurants and hotels services.

Chart 2.1.1. Annual Dynamic of CPI and Its Components



In the second quarter of 2011, the consumer price index constituted 100.8 percent (in the second quarter of 2010 – 99.3 percent). Including the consumer price index for food products constituted 99.7 percent, for alcohol beverages and tobacco products – 101.6 percent, for non-food products – 101.9 percent and for paid services – 101.8 percent.

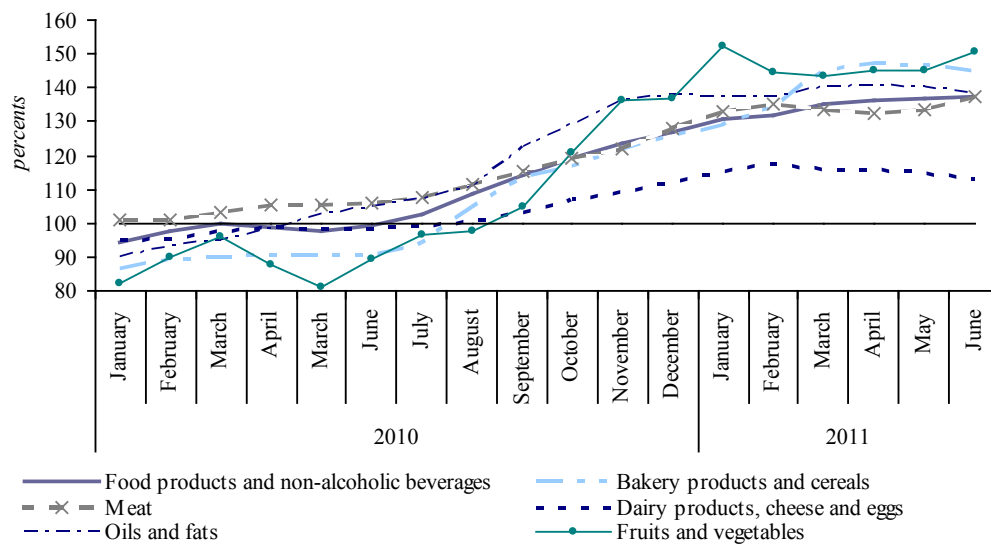
2.1.1. Price Dynamics for Food Products

As of June 2011, annual prices of food products increased by 37.5 percent (in corresponding period of 2010 there was the 0.7 percent decrease in price on an annualized basis), commodity group “bakery products and grains” increased in price by 44.9 percent, also first grade flour – by 75.7 percent. However, on the background of expectations of good grain and oil-seed crops harvest in current agriculture year in the Kyrgyz Republic and other big producing countries, in the second quarter of 2011 prices for food products decreased by 0.3 percent, and commodity group “bakery products and grains” decreased by 0.7 percent. Prices

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

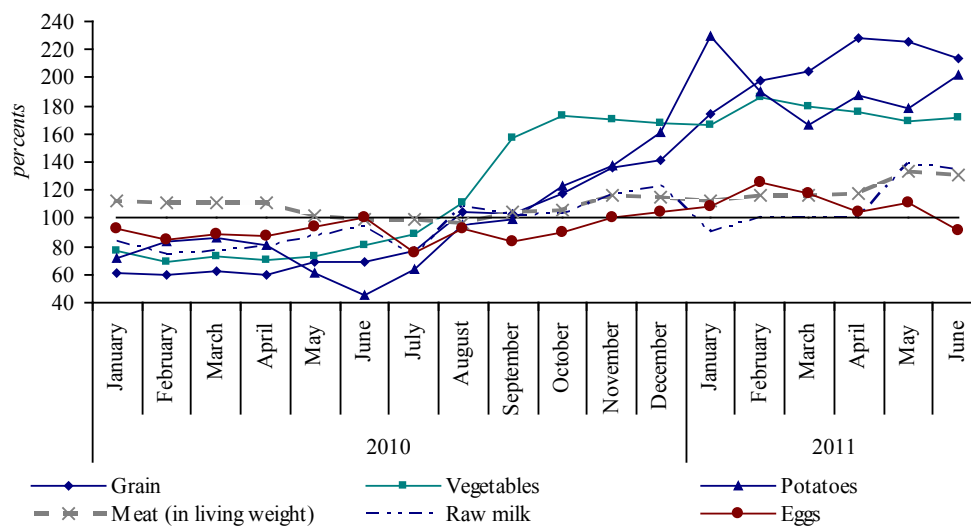
on dairy products on an annualized basis increased by 12.9 percent and prices on fruit and vegetables products – by 50.6 percent.

Chart 2.1.2. Annual Price Dynamics for Food Products



In the second quarter of 2011, there was increase in prices of agricultural production manufacturers for all types of products as compared to the corresponding index of the previous year. Thus, manufacturers prices for grain increased by 114.0 percent on an annualized basis, for vegetables – by 71.0 percent, for meat (in live weight) – by 31.4 percent, for dairy products – by 35.0 percent.

Chart 2.1.3. Annual Producer Price Dynamics Index for Certain Types of Agricultural Products



As per results of the second quarter of 2011, there was the price dynamics for fruit and vegetables products, characteristic for this period: fruits got up in prices by 14.3 percent and vegetables decreased in prices by 13.6 percent. On an annualized basis, the commodity group “fruits and vegetables” got up in prices by 50.6 percent: prices on fruits increased by 42.7 percent, on vegetables – by 55.3 percent.

In second quarter of 2011 price growth on sugar slowed down compared to the first quarter of 2011, from 15.3 to 0.3 percent. Overall on an annualized basis an increase constituted 28.2 percent. According to the State Agency for Antimonopoly regulation of KR, price growth for sugar is defined by high cost on import sugar supply: from May 27th, 2011 Ministry of Economics of Belarus increased selling prices for sugar by 40 percent.

On the basis of June 2011 meat produce increased in price by 37.2 percent. According to the message of State Agency for Antimonopoly regulation of KR, price increase for meat (lamb, beef) is seasonal, and also is due to supply decrease on the market, because of increased export to neighboring countries.

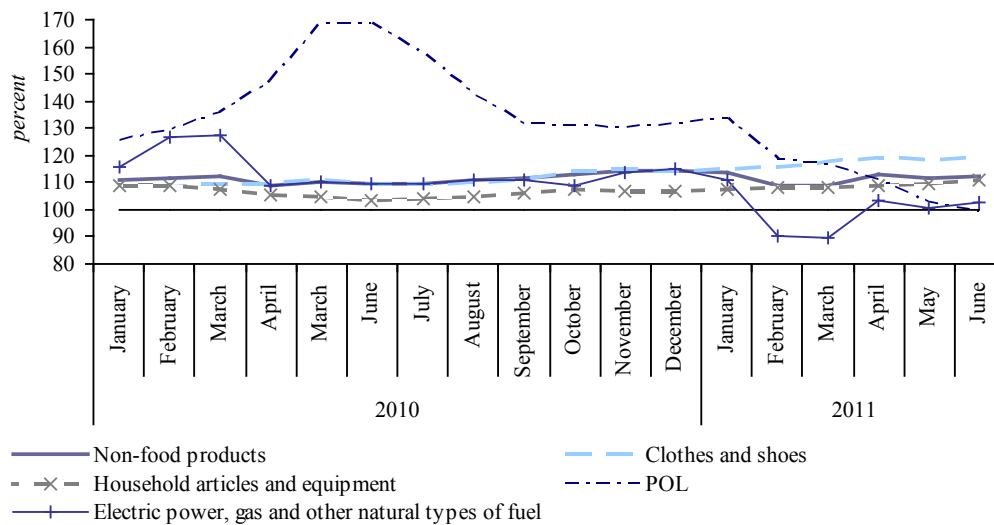
On the background of expectations for good oil-bearing crops harvest in Kyrgyz Republic (+10.5 percent against harvest of previous year), there is marked a decrease of growth pace of domestic prices on the market of oils and fats. So, as of June 2011, annual growth pace in group “oils and fats” constituted 38.4 percent against 40.4 percent growth in March 2011.

In second quarter of 2011, there was registered a decrease of consumer prices on dairy products due to seasonal factors, that constituted 6.8 percent; on annual basis dairy produce increased in price by 12.9 percent, which is by 2.9 percentage points lower than corresponding index of March current year.

2.1.2. Price Dynamics for Non-Food Products

The growth of price index for non-food products made 12.5 percent in annual terms and was by 3.3 p.p. lower than the corresponding index of 2010. Thus, prices for clothes and footwear increased by 19.5 percent, mainly due to appreciation in prices for men and children clothes by 26.2 percent and 20.1 percent, correspondingly, and also footwear repair by 33.9 percent. There was also registered an increase in rates for group “electric energy, gas and other types of fuel” by 2.4 percent on an annualized basis, mainly, because of the price increase on natural gas, which is connected to increase of value of delivered gas from Uzbekistan. There was increase in prices for group “domestic appliances and household goods”, which constituted 10.7 percent. The main reason for such dynamics was appreciation of furniture and floor coverings by 10.8 percent as well as household textile goods by 10.0 percent. Prices for petrol, fuels and lubricants on an annualized basis decreased by 0.9 percent: prices for gasoline decreased by 0.9 percent, for diesel fuel increased by 6.4 percent. As of the second quarter of 2011, price for petrol, fuel and lubricants increased by 6.8 percent, including gasoline, which increased in price by 6.5 percent, diesel fuel – by 13.8 percent.

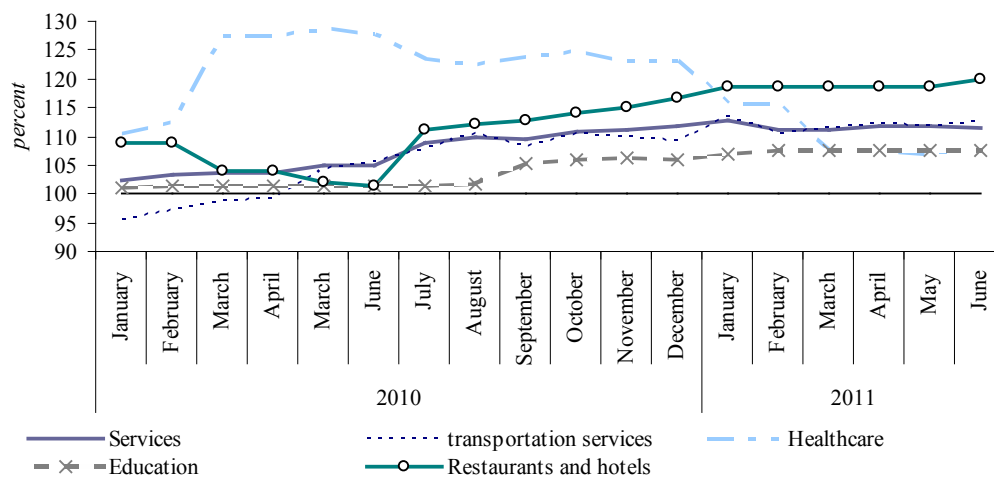
Chart 2.1.4. Annual Price Dynamics for Non-Food Products



2.1.3. Price Dynamics for Services

Index of prices for paid services in the reporting period increased by 11.6 percent on an annualized basis (in the corresponding period of 2010 – 5.1 percent). Growth of index in this commodity group was mainly provided by appreciation of services of restaurants and hotels by 20.1 percent, which was related to appreciation of food products, transportation services (+12.4 percent) and leisure services (+17.1 percent). There was also an increase in the cost of healthcare and education services by 8.0 and 7.7 percent correspondingly.

Chart 2.1.5. Annual Price Dynamics for Paid Services



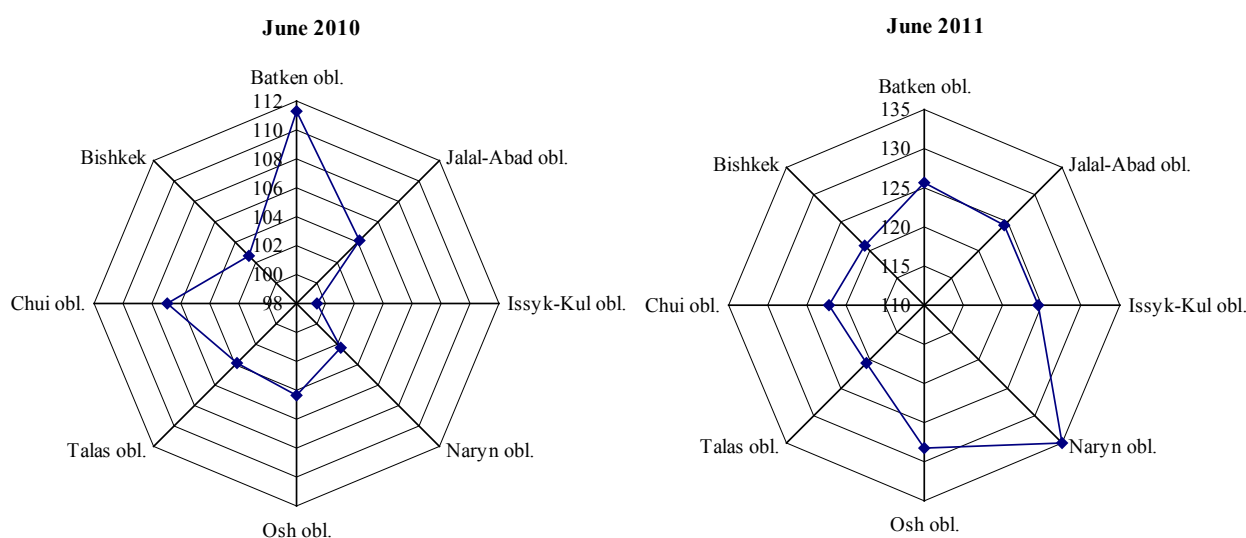
2.1.4. Consumer Price Dynamics in Regions

As per results of June 2011, there was continuing growth of the overall level of consumer prices in all oblasts of the republic. In the majority of oblasts, the inflation rate on annualized basis increased index of 20 percent; in Naryn oblast prices increased by 34.9 percent (mainly under pressure of cost growth on food products and services). In Osh oblast prices increased by 28.2 percent, in Batken oblast – by 25.7 percent, in Issyk-Kul and Jalal-Abad oblast – by 24.6 and 24.4 percent correspondingly. In Chui and Talas oblast prices increased by 22.1 and

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

In the capital of the republic, there was increase in prices by 20.7 percent; food products appreciated by 35.6 percent, alcohol beverages and tobacco products – by 11.9 percent, non-food products – by 10.1 percent and paid services – by 9.3 percent.

Chart 2.1.6. Annual Dynamics of CPI in Regions



2.2. Core Inflation

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

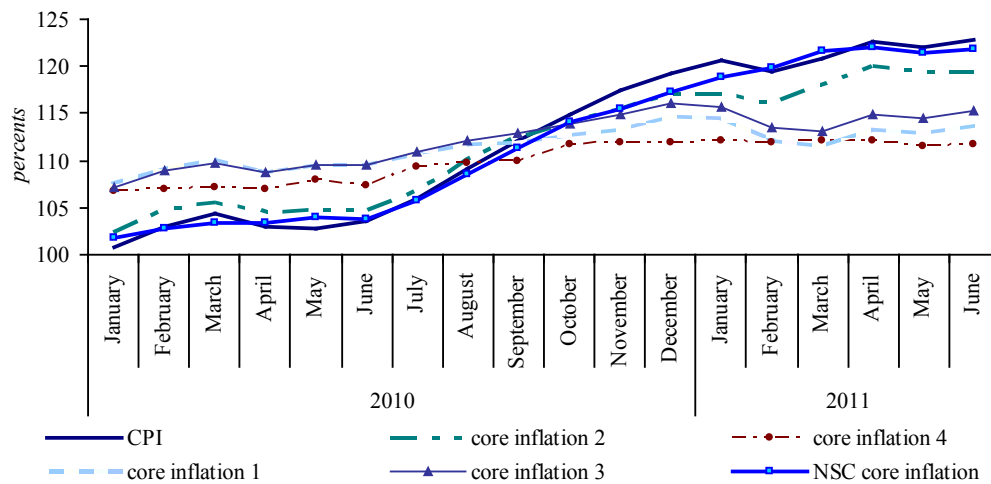
Dynamics of core inflation, calculated by means of the method of simple exclusions, is described below. This method implies the removal of categories or the whole group of goods and services, highly sensitive to shocks, from CPI. Traditionally, such goods comprise some food products, energy resources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

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

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

Republic, as per results of June 2011, the core inflation in annual terms amounted to 21.9 percent, whereas the ‘uncleaned’ inflation made 22.7 percent.

Chart 2.2.1. Annual Dynamic of the Estimated Core Inflation Indicator



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

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

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

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

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

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

3.1. Major Decisions of the NBKR Board

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

1. In order to lighten the requirements to commercial banks for obtaining credit funds from LLC “Special Fund for Banks Refinancing” (SFBR), adjustment in Bank Refinancing Policy¹ of SFBR was established by the National Bank of Kyrgyz Republic Board Resolution No. 26/3, dated April 27th, 2011.
2. In order to regulate the arrangements for additional accommodations of Government Treasury Bills, Resolution No.30/2 of NBKR Board dated May 26th, 2011 made changes and additions to Resolution No.42/4 of NBKR Board dated September 19th, 2007 “About new edition of the procedure for conducting the auction on accommodating Government Treasury Bills of Kyrgyz Republic through National Bank of Kyrgyz Republic”. This resolution entered into force upon the end of the month after official publication.
3. For the purpose of assessment of the current situation as well as for development of scenarios for implementation of the relevant monetary policy in the short-term period, on June 1, 2011 the Board of the National Bank of the Kyrgyz Republic considered and approved the report on monetary policy for the first quarter of 2010 and monetary program for the forthcoming period (Resolution No.31/1). Short version of the report on monetary policy for first quarter of 2010 was provided to the President and Government Office, Parliament (Jogorku-Kenesh), Ministry of Finance and Ministry of Economic Regulation of the Kyrgyz Republic. It was also published on the official web-site of the National Bank of the Kyrgyz Republic.
4. In view of the fact that main task, for which LLC “Special Fund for Banks Refinancing” was created, is executed, the Resolution of NBKR Board dated June 9th, 2011 established to liquidate SFBR since August 1st, 2011, according to article 96 of Civil Code of the Kyrgyz Republic, article 43 of the Kyrgyz Republic Law “About National Bank of the Kyrgyz Republic”, article 13 of the Kyrgyz Republic Law “About state registration of legal entities, branches (representatives offices)”, and item 5 of the Articles of SFBR Statute (Resolution No.33/1).

¹ Was established by resolution of NBKR Board No.16/7, dated March 26th, 2009.

SFBR was founded to provide financial resources to bank sector for regulation of credit in economics and liquidity maintenance. Foundation of SFBR was one of the measures against world financial crisis.

SFBR activity is not a standard tool of monetary policy, and in accordance with “Main directions of monetary policy in 2011-2013 years” it was planned to limit use of this mechanism with first appearances of steady signs of economic recovery. In current year, recovery of economic growth is marked, which gives an assumption of achievement of the main goal of SFBR activity.

Closing of SFBR will be processed stepwise, credit funds will be returned according to maturity date.

5. Resolution No.35/1 of the NBKR Board dated June 29th, 2011 prolonged the validity period of the common adjustment coefficient for formation of the interest rate for all credit directions of the LLC “Special Fund for Banks Refinancing” at the level of “1” until August 1, 2011. Earlier, the common adjustment coefficient was established at the level of “1” by Resolution No.26/1 of the NBKR Board, dated May 3, 2010.

3.2. Major Decisions of the Monetary Policy Committee

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

In the second quarter of 2011, the MPC held 13 meetings. The MPC decisions were focused on regulation of liquidity in the banking system through arrangement of weekly auctions for NBKR notes, and also selling government securities operations on repo terms.

During second quarter NBKR continued to take measures to tighten monetary policy in response to the excess liquidity growth in bank system. For the purpose of limiting inflation monetary component MPC increased the volume of notes in circulation up to 1.7 billion KGS by the end of June 2011 from 1.5 billion KGS as of the end of March 2011. Also, for the purpose of additional exemption of excess reserves of commercial banks, MPC recommended to perform operations on sale of government securities on repo terms.

The volume of sales of NBKR notes in the second quarter of 2011 constituted 4.9 billion KGS; the volume of sales of government securities on repo terms constituted 60.7 million KGS. As of the end of June 2011, the volume of NBKR notes in circulation constituted 1.1 billion KGS. Net sale of US dollars by the National Bank of the Kyrgyz Republic in the reporting period constituted 1.5 billion KGS.

Monthly MPC decided on the size of base rate for the purpose of SFBRcrediting, taking into account remaining significant inflationary risks in 2011. During second quarter MPC increased the size of the base rate according to tightening of monetary policy: since April 4th, 2011 – to 8.5 percent, since May 1st, 2011 – to 9.5 percent, since June 1st, 2011 – to 10.0 percent.

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

June 27th of 2011 the decision of the Monetary Policy Committee was made to keep the base rate for SFBR at 10.0 percent until August 1, 2011.

Chapter 4. Inflation Forecast

4.1. Forecast of Key Inflation Factors Dynamics

Growth in consumer and investment demand with significant growth of money transfers led to dynamic recovery of economic activity in the country. Further economic development of the Kyrgyz Republic proposed in conditions of a normalization of trade terms with countries-main trade partners, stable conjuncture on world commodity markets and continuation of the current dynamics of recovery of economic activity in the country.

While there are a number of risks of external economic nature: the risk of deteriorating terms of trade with countries-main trade partners on the background of uncertainty of Kyrgyz Republic's entry in Customs Union and the risk of the negative impact of price conjuncture on the world commodity markets. Besides that, planned recovery of economic activity is largely due to significantly increased inflows of remittances, which is, in turn, increases the risk of unsteadiness and the volatility of economic growth, due to influence of external factors (first of all – economic development countries-recipients of labor migration).

As a whole, the forecast of GDP growth of Kyrgyzstan in 2011 stays at the level of 6.6 percent, and nominal GDP is expected at the level of 262 317.7 million KGS. In the GDP structure of Kyrgyz Republic in 2011, the main contribution is expected on the part of services sphere, agriculture, construction and industry. Growth of money transfers inflow from labor immigrants expected to be on 20.1 percent level as compared to year of 2010.

Table 4.1.1. GDP Forecast by Sectors of Economy for 2011

	actual data				estimated data		
	current prices, million KGS	comparable prices, million KGS	real growth, percents	contribution, percent	comparable price, million KGS	real growth, percents	contribution, percents
	2010				2011		
Agriculture, hunt and forestry	39,334.8	36,712.0	-2.8	-0.5	41,694.9	6.0	1.1
Industry	41,093.3	37,444.5	9.9	1.7	44,141.1	7.4	1.4
<i>Mining industry</i>	<i>1,451.0</i>	<i>1,067.9</i>	<i>-0.4</i>	<i>-0.0</i>	<i>1,523.6</i>	<i>5.0</i>	<i>0.0</i>
<i>Processing industry</i>	<i>33,830.7</i>	<i>31,527.1</i>	<i>10.1</i>	<i>1.4</i>	<i>35,353.1</i>	<i>4.5</i>	<i>0.7</i>
<i>including "Kumtor"</i>	<i>19,904.0</i>	<i>15,829.4</i>	<i>7.6</i>	<i>0.6</i>	<i>20,302.1</i>	<i>2.0</i>	<i>0.2</i>
<i>Production and distribution of electricity, gas and water</i>	<i>5,811.6</i>	<i>4,849.5</i>	<i>11.0</i>	<i>0.2</i>	<i>7,264.5</i>	<i>25.0</i>	<i>0.7</i>
Construction	11,998.9	10,414.6	-22.8	-1.5	13,198.8	10.0	0.6
Trade	34,206.7	31,687.5	-6.4	-1.1	37,798.4	10.5	1.7
Transportation and communication	19,385.9	18,108.2	2.5	0.2	20,355.2	5.0	0.5
Others	43,804.9	42,281.2	0.1	0.0	45,119.0	3.0	0.6
Net taxes for products	22,352.9	21,842.7	-1.4	-0.2	23,822.8	6.6	0.7
GDP	212,177.4	198,490.7	-1.4	-1.4	226,130.3	6.6	6.6
GDP without "Kumtor"	192,273.4	182,661.3	-2.1	-2.1	205,828.2	7.0	7.2
<i>For reference</i>							
Services	97,397.5	92,076.9	-1.8	5.8	103,272.6	6.0	2.8

Forecast for 2012 was building, according to supposition of a more stable external economic conjuncture and social and political situations in the country, while taking into account the high statistical base of 2011. Real GDP growth in year 2012 slowed down and expected to be on the level of 4.5 percent. It should be noted that in 2012 there still will be the risk of the negative impact of external economic conjuncture.

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

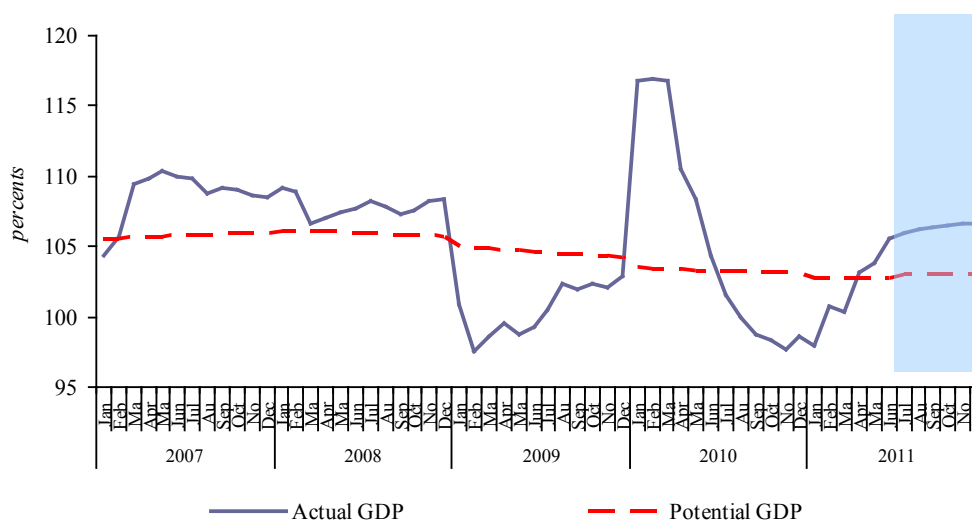
Table 4.1.2. GDP Forecast by Sectors of Economy for 2011-2013.
(percent)

	fact	forecast		
	2010	2011	2012	2013
Agriculture	-2.8	6.0	2.0	2.5
Industry	9.9	7.4	3.0	3.5
Construction	-22.8	10.0	12.0	15.0
Services	-1.8	6.0	5.0	5.0
Net taxes on products	-1.4	6.6	4.5	5.0
GDP	-1.4	6.6	4.5	5.0
Deflator	6.9	16.0	8.3	7.2
Nominal GDP, million KGS	212,177.4	262,317.7	296,762.5	333,882.6

GDP gap index may serve as another indicator of the price risk assessment in the economy, which occurs under the influence of increase/decrease of the production volume. In first months in 2011 negative production gap was determined by high base of similar period in 2010. However, in the future, given the continuing trend towards the recovery of economic activity in the country and the growth of domestic demand, further growth of positive GDP gap and the increasing inflationary pressures in the economy of Kyrgyzstan should be expected.

Chart 4.1.1. Forecast of actual and potential GDP

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



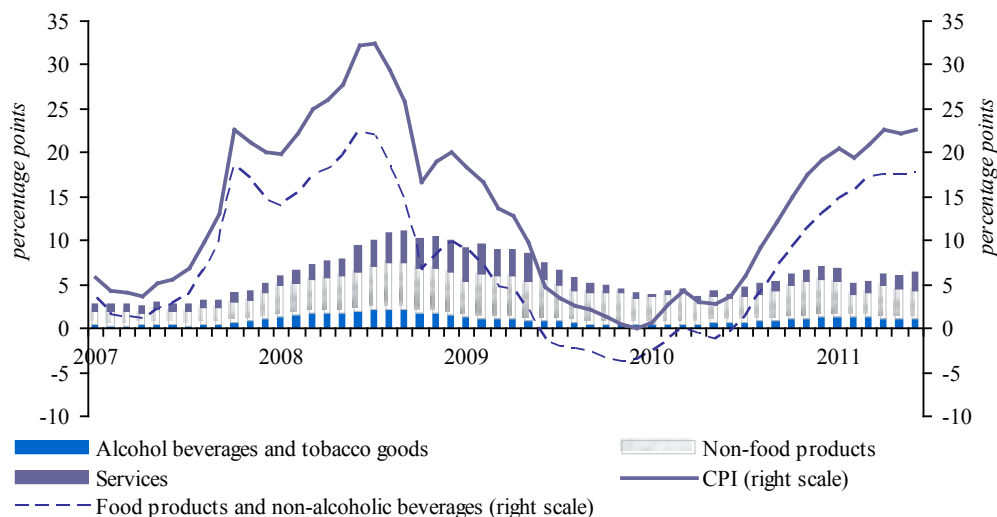
Another important factor, influencing current and future inflation levels, is state sector expenditures as one of the main sources of money supply growth. During year of 2011 there are planned substantial amounts of state expenditures and, as a result, the maintenance of a high level of budget deficit. Despite little state budget deficit according to actual data, it should be noted that this was a continuation of the practice of previous years, when at the beginning of the year relatively conservative budget policy is held. In addition, one of the reasons was also later adoption of the law on state budget. In this regard, taking into account the planned increase in wage in budget sector, faster growth of budgetary expenditures in upcoming quarters should be expected.

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

4.2. Inflation forecast for 2011 and third quarter of 2011

The tendency in consumer prices dynamics in recent years shows that significant fluctuations in inflation were resulted mostly by volatility of consumer products prices. With that, prices on non-food products, alcohol beverages, tobacco goods, and also services¹ have steady rising dynamics that in general forms the overall high inflationary background in the economy.

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

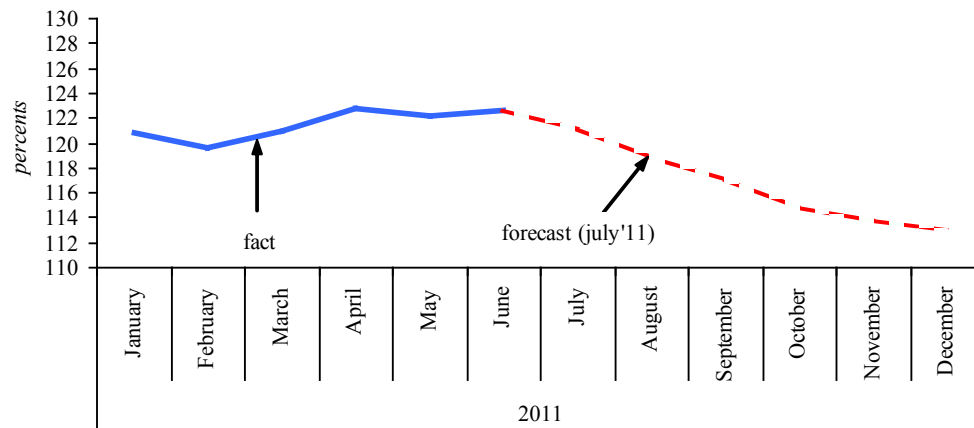


In second quarter of 2011, in the world commodity markets as well as in the domestic market of Kyrgyzstan, there were first signs of stabilization of prices for food products, also due to seasonal factors. However, it is still a price fixing at the current high level.

¹ Since 2007 in December of each year the total contribution of these goods and services and the level of annual inflation vary in between 4 to 10 percent. That gives an opportunity to assume that in 2011 annual contribution of these factors to inflation level will stay at this level, exclusive an additional contribution of food products.

As per results of the year and with regard to actual data for the first half year, the price dynamics development is expected within previously announced range. However, given the slight decrease in uncertainty of inflation factors, forecast range narrowed to 13-15 percent (based on consensus forecast)

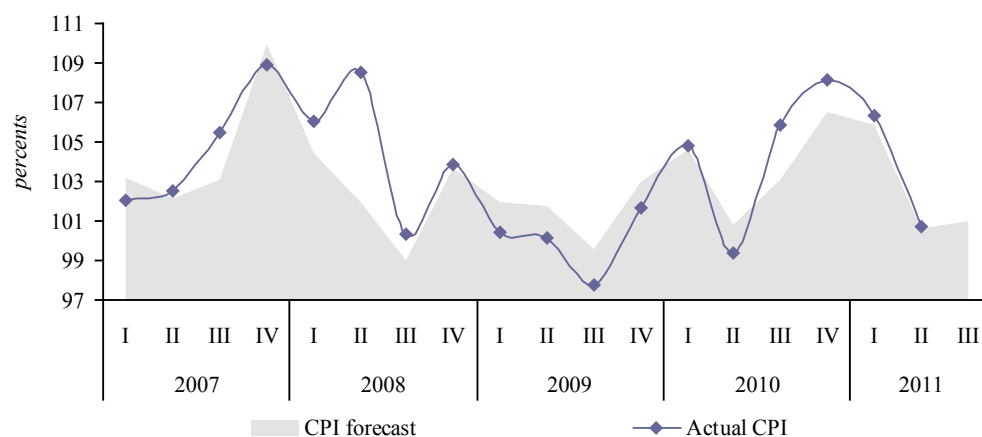
Chart 4.2.2. Forecast of Inflation Annual Value



Actual inflation level in the second quarter of 2011 (0.8 percent) inconsiderably exceeded the forecast data for this period (0.6 percent), which was published in “Inflation Report for the first quarter of 2011”. The difference in the forecast is explained mostly by changes in the structure of household expenditures used for compilation of the consumer price index.

In the third quarter of 2011, it is expected that the situation in the consumer market will be formed mainly under the influence of food products prices as well as the influence of prices in the world market. It is expected that agricultural products prices will determine downward dynamics of CPI. However, additional pressure on inflation in third quarter is possible from prices on petrol, fuel and lubricants, meat, sugar, and education services. As a result, increase in prices in third quarter is forecasted at about 1.0 percent.

Chart 4.2.3. Inflation forecast for the third quarter of 2011



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

Statistical Annexes

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

	2011					
	January	February	March	April	May	June
Consumer price index for goods and services	102.7	101.4	102.2	100.4	99.7	100.6
Products	102.7	101.7	102.4	100.4	99.5	100.7
food products and non-alcoholic beverages	104.9	103.0	103.9	100.2	98.9	100.6
alcohol beverages and tobacco goods	100.2	100.1	100.9	100.1	100.7	100.9
non-food products	100.5	100.3	100.6	100.8	100.2	100.9
Services	102.1	99.6	100.4	100.4	101.1	100.2
Food products and non-alcoholic beverages	104.9	103.0	103.9	100.2	98.9	100.6
Bakery products and cereals	101.7	104.0	107.3	100.8	99.1	99.3
top grade wheat flour	102.2	104.7	107.8	101.4	99.3	99.1
first grade wheat flour	101.9	106.2	111.1	100.4	98.1	98.0
bread	100.9	103.0	104.7	100.7	98.2	100.0
Meat	104.9	103.1	100.9	100.1	101.7	103.5
Fish	101.1	100.9	100.9	100.4	99.7	100.8
Dairy products, cheese and eggs	103.8	102.0	97.0	98.5	97.2	97.3
Oils and fats	100.7	100.2	102.6	101.3	100.9	99.4
Fruits and vegetables	115.8	102.1	105.2	98.4	93.7	101.6
fruits	101.5	101.5	101.8	102.8	105.6	105.2
vegetables	122.5	102.3	106.5	96.8	89.0	100.3
Sugar, jam, honey, chocolate and candy	105.7	104.6	101.3	100.8	99.9	100.3
sugar	108.4	106.1	100.2	100.4	99.7	100.2
Other food products	100.8	102.5	99.0	100.3	100.1	100.4
Non-alcoholic beverages	101.8	100.9	102.7	101.1	99.2	102.7
Alcohol beverages and tobacco goods	100.2	100.1	100.9	100.1	100.7	100.9
alcohol beverages	100.1	100.0	100.2	100.0	100.7	100.7
tobacco goods	100.6	100.2	102.8	100.4	100.5	101.2
Clothes and shoes	101.0	101.5	101.8	102.1	101.1	100.6
clothes	101.2	100.9	100.2	100.9	100.7	100.6
materials to make clothes	100.7	100.0	100.3	100.2	100.1	100.1
men clothes	101.4	101.1	99.3	101.0	100.8	101.7
women clothes	101.0	100.3	100.5	100.8	100.0	101.5
children and newborns clothes	101.2	101.5	100.7	101.2	101.6	98.0
cleaning, repairing and hiring-out of clothes	106.4	103.8	101.2	98.2	100.2	99.9
shoes, including repairs	100.6	103.0	105.6	104.9	102.0	100.5
men shoes	100.0	106.6	104.3	106.0	102.3	101.8
women shoes	100.6	102.2	107.0	105.2	102.2	99.7
children shoes	101.3	99.1	103.7	102.3	101.3	101.3
shoes repair	103.0	102.4	106.9	101.1	100.2	102.2
Housing services, water, electric power, gas and other types of fuel	99.9	99.4	99.1	98.8	98.1	100.5
house rent	100.0	100.6	100.0	100.0	100.0	100.0
materials for dwelling premises maintenance and repair	99.3	99.8	102.4	100.8	100.5	101.0
brick	100.0	100.0	103.1	100.3	100.8	100.3
carving wood	98.0	100.1	102.6	100.9	100.2	105.1
cement	99.1	98.7	101.8	100.4	99.8	100.3
flat glass	99.8	99.3	100.0	100.0	99.7	103.5
construction sand	100.0	100.0	109.7	102.1	101.7	100.0
asbestos sheeting	99.7	100.0	100.0	101.0	101.0	99.3
services for dwelling premises maintenance and repair	100.0	100.0	100.0	101.0	100.6	88.1
water supply	100.0	100.0	100.0	100.0	100.0	104.9
electric power, gas and other types of fuel	100.0	99.3	98.7	98.6	97.7	101.0
gas	100.2	98.9	99.4	98.8	99.2	102.2
Household items and appliances	100.2	101.0	100.5	100.8	100.3	101.4
furniture and floor coating	100.1	101.7	100.5	100.2	100.6	102.5
furniture and floor coating	100.1	100.0	100.8	101.0	100.2	101.1
household appliances	100.5	101.2	100.1	99.5	100.3	101.5
glassware, tableware and household stuff	100.4	100.1	100.3	100.1	100.1	100.9
Healthcare	99.6	101.4	100.8	100.4	100.6	100.6
Transportation	102.0	96.9	100.2	100.4	102.3	101.0
vehicles purchase	100.4	100.1	100.1	99.6	99.4	98.2
petroleum, oil, and lubricants	98.6	88.1	99.2	101.1	104.0	101.6
petrol	98.6	88.0	99.1	100.9	103.4	102.0
diesel fuel	97.6	90.1	101.5	103.9	111.4	98.3
technical maintenance and repair of individual transportation means	100.1	100.0	100.0	100.0	100.0	100.4
transportation services	104.0	97.6	100.5	100.7	103.4	101.5
Communication	100.0	100.0	100.0	100.0	100.0	100.0
Rest, entertainment and culture	100.0	100.8	101.6	100.4	100.8	100.1
services for arranging cultural activities	100.1	102.1	101.2	103.0	106.8	100.1
newspaper, books and stationary products	100.0	101.3	103.1	100.0	100.0	100.0
Education	100.5	101.0	100.1	100.0	100.2	100.0
Restaurants and hotels	102.0	100.3	100.2	100.2	100.1	101.1
public catering	102.0	100.2	100.2	100.2	100.1	101.0
hotel services	100.9	101.7	100.3	99.7	99.8	106.1
Different goods and services	102.2	100.4	100.4	100.8	100.3	100.2
personal services	102.5	100.3	100.4	101.0	100.4	100.4
personal demand items, which are not included into other categories	100.8	101.1	100.1	100.0	100.0	100.1
other services, which are not included into other categories	101.0	101.3	100.0	100.0	100.0	95.1

Source: NSC KR

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

	2011					
	January	February	March	April	May	June
Consumer price index for goods and services	120.6	119.4	120.8	122.6	122.1	122.7
Products	121.8	120.5	122.2	124.1	123.6	124.4
food products and non-alcoholic beverages	130.5	132.1	135.3	136.5	136.6	137.5
alcohol beverages and tobacco goods	113.0	112.9	113.5	110.7	110.9	111.3
non-food products	113.5	108.6	108.8	112.8	111.6	112.5
Services	112.8	111.2	111.1	111.7	111.7	111.6
Food products and non-alcoholic beverages	130.5	132.1	135.3	136.5	136.6	137.5
Bakery products and cereals	129.0	134.5	145.2	147.3	146.5	144.9
top grade wheat flour	136.2	143.3	154.8	157.8	157.5	155.8
first grade wheat flour	151.0	160.9	179.8	182.4	180.6	175.7
bread	123.3	125.8	131.7	136.1	134.2	133.5
Meat	132.8	135.1	133.3	132.2	133.7	137.2
Fish	115.4	112.9	113.6	112.5	112.0	112.7
Dairy products, cheese and eggs	115.2	117.6	115.8	115.8	114.5	112.9
Oils and fats	137.4	137.4	140.4	140.9	140.1	138.4
Fruits and vegetables	152.5	144.5	143.6	144.8	145.3	150.6
fruits	138.0	137.8	138.4	141.2	148.5	142.7
vegetables	160.3	147.4	145.1	146.3	143.8	155.3
Sugar, jam, honey, chocolate and candy	114.3	117.6	117.5	120.2	122.0	123.8
sugar	117.0	121.2	119.3	123.3	125.5	128.2
Other food products	109.2	111.7	110.6	111.1	111.9	110.1
Non-alcoholic beverages	114.2	114.7	116.5	117.0	115.1	117.6
Alcohol beverages and tobacco goods	113.0	112.9	113.5	110.7	110.9	111.3
alcohol beverages	106.8	106.6	106.1	105.8	105.9	105.9
tobacco goods	129.8	130.1	133.8	125.0	125.6	127.0
Clothes and shoes	115.0	115.9	117.6	119.1	118.8	119.5
clothes	121.0	120.9	120.6	120.6	119.4	120.3
materials to make clothes	112.2	104.4	104.6	104.8	104.9	104.8
men clothes	125.2	125.7	124.7	125.4	124.3	126.2
women clothes	120.9	120.2	120.1	118.9	115.3	117.9
children and newborns clothes	117.7	119.2	119.9	121.1	122.9	120.1
cleaning, repairing and hiring-out of clothes	127.7	131.2	126.0	123.8	122.5	120.8
shoes, including repairs	102.1	104.9	110.9	115.6	117.4	117.7
men shoes	97.4	103.6	110.0	116.8	117.4	119.3
women shoes	104.8	106.9	111.4	115.4	117.9	117.3
children shoes	105.1	104.0	111.5	114.6	114.1	115.2
shoes repair	119.1	121.8	130.1	131.5	131.1	133.9
Housing services, water, electric power, gas and other types of fuel	111.4	93.5	92.2	104.1	101.5	102.9
house rent	100.4	101.0	100.6	100.6	100.6	100.6
materials for dwelling premises maintenance and repair	112.9	113.3	115.8	115.6	113.7	114.7
brick	119.4	121.6	119.4	116.0	116.9	103.4
carving wood	133.7	133.9	137.4	136.9	133.2	138.4
cement	106.6	108.2	111.8	109.3	100.3	108.6
flat glass	121.8	121.0	119.7	118.8	117.7	121.7
construction sand	76.2	76.2	83.6	85.3	86.8	86.6
asbestos sheeting	103.7	103.7	103.7	104.7	105.8	105.0
services for dwelling premises maintenance and repair	103.5	103.5	103.5	104.5	105.1	92.6
water supply	137.4	137.4	100.7	100.0	100.0	104.9
electric power, gas and other types of fuel	110.8	90.1	89.3	103.3	100.4	102.4
gas	109.8	108.4	107.0	104.7	103.7	105.5
Household items and appliances	107.4	108.0	108.2	108.7	109.4	110.7
furniture and floor coating	106.3	107.8	108.2	107.8	108.4	110.8
furniture and floor coating	106.8	106.8	107.6	108.7	108.8	110.0
household appliances	105.4	106.5	106.3	105.7	105.6	107.0
glassware, tableware and household stuff	112.4	111.9	112.2	111.8	111.7	112.6
Healthcare	115.6	115.6	107.7	107.7	107.0	108.0
Transportation	113.7	110.0	110.5	110.3	108.5	108.1
vehicles purchase	108.5	108.1	107.7	106.5	105.3	102.9
petroleum, oil, and lubricants	133.4	118.2	116.1	111.1	102.9	99.4
petrol	131.4	116.3	114.9	110.3	102.2	99.1
diesel fuel	148.6	134.4	129.6	123.8	112.1	106.4
technical maintenance and repair of individual transportation means	100.1	100.1	100.1	100.1	100.1	100.5
transportation services	113.3	110.3	111.4	112.1	111.7	112.4
Communication	99.8	94.4	94.4	100.0	100.0	100.0
Rest, entertainment and culture	118.6	118.7	120.3	120.2	119.1	117.1
services for arranging cultural activities	104.9	103.0	103.9	106.8	114.0	114.1
newspaper, books and stationary products	122.0	123.6	127.3	127.3	127.3	127.4
Education	107.0	107.5	107.6	107.5	107.7	107.7
Restaurants and hotels	118.6	118.5	118.7	118.7	118.7	120.1
public catering	118.8	118.7	118.9	119.1	119.2	120.4
hotel services	112.2	112.4	112.4	108.5	107.5	113.8
Different goods and services	117.8	116.1	114.4	115.0	114.9	114.5
personal services	117.9	115.7	113.6	114.5	114.6	114.7
personal demand items, which are not included into other categories	122.8	123.7	114.6	122.8	121.8	118.3
other services, which are not included into other categories	101.6	102.9	123.7	105.4	105.4	100.2

Source: NSC KR

Table 3. Indexes of prices and physical volume of import for January - May 2011

Product name	5 months	5 months	5 months	Indexes		
	of 2011	of 2011	of 2011	price	phys. vol.	value
	mln. USD	mln. USD	mln. USD			
n11*p11	n11*p10	n10*p10	A/B	B/C	A/C	
Petroleum, petroleum-products and analogous materials	243.5	200.9	268.2	1.21	0.75	0.91
Medicaments (including veterinary medicaments)	61.7	41.2	34.6	1.50	1.19	1.78
Cast-iron and steele	41.2	36.4	38.3	1.13	0.95	1.08
Goods cars and and special purpose vehicles	40.1	23.3	18.6	1.72	1.25	2.15
Sugar, sugar products and honey	34.2	29.2	21.6	1.17	1.35	1.58
Meat and meat products	32.4	28.8	26.3	1.13	1.09	1.23
Essential oils, resoniuds and parfume substances	31.5	20.5	22.9	1.54	0.90	1.38
Electric wire telephone and telegraph sets	31.0	37.8	11.3	0.82	3.34	2.74
Crops (including eincorn) and mangcorn (unmilled)	30.4	14.4	19.7	2.11	0.73	1.55
Natural gas in gaseous state	30.4	26.8	28.3	1.13	0.95	1.08
Coffee, tea, cocoa, spicery and their products	28.0	23.4	18.6	1.20	1.26	1.51
Paper, cardboard and products made of paper stock	23.9	18.2	16.8	1.32	1.08	1.42
Woofed fabric made of artificial textile materials	23.2	19.2	15.1	1.21	1.27	1.53
Vegetable oils and fats, raw materials, refined	20.2	14.2	16.9	1.43	0.84	1.20
Fertilizers	19.0	13.2	13.6	1.45	0.97	1.40
Rubber tires	18.0	16.9	15.4	1.07	1.10	1.17
Coarse flour,low-ground flour, wheat flour and mangcorn flour	16.8	9.4	1.1	1.78	8.61	15.34
Fruits and vegetables	16.1	11.4	16.1	1.41	0.71	1.00
Plastics in prime form	15.9	13.9	8.5	1.14	1.64	1.87
Coal, coke and briquets	15.6	17.4	16.8	0.90	1.04	0.93
Food products and preparations no included into the other categories	15.5	5.9	8.6	2.64	0.68	1.80
Imperfect metal products not included into the other categories	14.3	13.2	9.2	1.09	1.44	1.56
Alcohol beverages	12.6	10.6	9.4	1.19	1.13	1.34
Non-organic chemical substances	12.6	26.9	22.0	0.47	1.22	0.57
Sawed or splited lengthwise conifer wood	12.2	10.3	9.3	1.18	1.12	1.32
Mechanical shovels, excavators and scoop loaders	12.2	5.2	2.7	2.36	1.90	4.49
Grain products and products from flour and fruit and vegetable starch	11.0	8.5	6.6	1.29	1.28	1.65
Footwear with rubber or synthetic sole and upper	10.5	10.3	8.6	1.02	1.19	1.22
Compressed wood and restored wood	10.0	8.2	6.8	1.22	1.20	1.47
Plastics in unprime form	9.6	7.7	6.3	1.26	1.21	1.52
Sugar-sweetened mineral water and soft drinks	9.3	9.3	7.7	1.01	1.20	1.21
Cars and vehicles for transportation of people	9.3	9.4	6.7	1.00	1.40	1.39
Hand and machine tools	6.9	5.9	4.1	1.17	1.42	1.67
Design and construction elements of cast iron not included in other categories	6.7	3.7	3.3	1.81	1.12	2.02
Machinery for transportation, sorting and leveling	6.6	14.1	13.7	0.47	1.03	0.48
Coloring and tanning matters and dyes	6.5	6.9	6.0	0.93	1.15	1.08
Margarine and combined fats	5.9	4.7	5.3	1.26	0.88	1.12
Health care and pharmaceutical products	5.9	4.5	4.0	1.32	1.13	1.49
Machines for automatic data processing and their blocks	5.8	6.9	3.7	0.84	1.85	1.56
Insecticides, rodenticides, fungicides, herbicides	5.5	4.1	4.4	1.33	0.93	1.25
Household refrigerators and freezers	5.1	4.6	3.1	1.10	1.50	1.64
Glass containers; glass corks; glass products for thermoses	4.9	3.6	3.4	1.36	1.07	1.45
Machinery for construction and mining industry	4.8	43.6	7.7	0.11	5.64	0.62
Other minerals	4.6	2.8	2.1	1.64	1.36	2.24
Fish (non-marine animals)	4.6	4.1	2.9	1.14	1.41	1.61
Nails, screws, nuts, bolts, rivets etc. of iron, steel and copper	4.6	3.7	3.8	1.25	0.96	1.20
Wood and hardboard	4.5	3.8	2.9	1.17	1.31	1.53
Pants, overalls, breeches and shorts, men	4.4	4.2	3.0	1.06	1.41	1.49
Electrical distribution equipment, not included in other categories	4.4	4.0	2.8	1.10	1.41	1.55
Machines for moving, grading, leveling, excavation or drilling ground	4.3	0.7	1.4	6.37	0.48	3.09
Overcoats, carcoats, capes, cloaks and similar articles, women	4.1	1.0	1.0	3.99	1.03	4.12
Sweaters, pullovers, cardigans, waistcoats and similar articles, knitted	4.1	3.6	2.6	1.15	1.36	1.57
Batteries and electric accumulators; their spare parts	4.1	59.6	1.7	0.07	35.18	2.41
Milk, cream and dairy products, except butter and cheese	3.9	4.1	4.4	0.96	0.93	0.89
Copper	3.9	4.3	1.0	0.90	4.49	4.06
Electric and heat device, not elsewhere specified	3.8	3.4	2.2	1.12	1.52	1.71
Flooring	3.8	2.8	1.9	1.38	1.46	2.01
Various chemical products not elsewhere classified	3.8	2.9	4.4	1.28	0.66	0.85
Glazed ceramic tiles	3.7	3.6	3.3	1.03	1.09	1.12
Overcoats, carcoats, capes, cloaks and similar articles, men	3.6	1.3	0.6	2.70	2.13	5.75
Nomenclature Total (mln, USD)	1,047.3	954.2	833.5	1.10	1.14	1.26
Nomenclature Total (% of total imports)	75%		75%			
Total import	1,395.5		1,117.8			

According to the NSC at FOB prices; the Table demonstrates the first 60 import large items

n - physical volume of goods imports

p - estimated import price of the goods

Table 4. Indexes of prices and export physical volume for January - May 2011

<i>Product name</i>	<i>5 months</i>	<i>5 months</i>	<i>5 months</i>	<i>Indexes</i>		
	<i>of 2011</i>	<i>of 2011</i>	<i>of 2011</i>	<i>price</i>	<i>phys. vol.</i>	<i>value</i>
	<i>mln. USD</i>	<i>mln. USD</i>	<i>mln. USD</i>			
	<i>n11*p11</i>	<i>n11*p10</i>	<i>n10*p10</i>	<i>A/B</i>	<i>B/C</i>	<i>A/C</i>
	A	B	C			
Nommonetary gold (besides gold ore and concentrates)	432.4	343.6	301.2	1.26	1.14	1.44
Fruits and vegetables	53.3	53.6	29.7	0.99	1.80	1.79
Petroleum, petroleum-products and analogous materials	33.6	23.2	30.0	1.45	0.77	1.12
Electrical shock	20.7	24.3	4.3	0.85	5.62	4.81
Blouses, jackets and jacket-blouses, women	11.1	11.4	12.8	0.98	0.89	0.87
Milk, cream and dairy products, except butter and cheese	9.9	7.6	8.5	1.30	0.90	1.17
Garments, knitted or crocheted, of women and girls	8.7	7.5	6.6	1.16	1.13	1.31
Dresses	8.3	8.4	7.2	0.98	1.18	1.15
Filament lamps	7.8	7.2	7.3	1.07	1.00	1.07
Pants, overalls, breeches and shorts, women	6.9	6.8	6.2	1.02	1.09	1.12
Non-organic chemical substances	6.7	50.9	120.1	0.13	0.42	0.06
Scrape and waste steele	6.5	4.0	1.9	1.62	2.10	3.41
Aeroplanes and other aircraft weighing more than 15 000 kg	6.0	4.3	1.1	1.40	4.00	5.60
Cotton	5.3	3.5	2.4	1.51	1.47	2.21
Skirts and skirt-pants	4.3	4.3	3.6	1.00	1.21	1.21
Scrap and waste from the base of non-ferrous metals, not included in other categories	4.2	1.3	1.2	3.17	1.08	3.43
Rubber tires	4.1	0.6	0.7	6.73	0.90	6.04
Pants, overalls, breeches and shorts, men	3.6	3.2	2.9	1.14	1.11	1.27
Silver	3.6	1.8	0.9	1.98	2.02	4.01
Tobacco unready; tobacco refuse	3.6	3.8	8.4	0.94	0.45	0.43
Various base metals employed in metallurgy and steel	3.4	1.7	2.2	2.06	0.75	1.54
Paper, paperboard and articles of paper pulp, paper or paperboard	3.2	3.1	2.3	1.01	1.34	1.36
Living animals	3.0	2.2	1.5	1.36	1.47	2.01
Mineral water and soft drinks, sweetened with sugar	3.0	2.4	2.4	1.27	1.00	1.26
Overcoats, carcoats, capes, cloaks and similar articles, women	2.9	3.1	2.6	0.92	1.19	1.10
Hosiery, knitted or crocheted	2.8	3.2	3.1	0.87	1.05	0.92
Dishwashers; machinery for filling, corking caps; machine for packaging	2.7	12.9	2.6	0.21	5.02	1.05
Iron and steel	2.3	1.5	0.9	1.54	1.75	2.70
The skins of cattle or horse hides and skins	2.2	2.3	0.4	0.98	5.29	5.16
Woven fabrics of man-made textile materials	1.8	1.6	0.4	1.12	3.79	4.25
Coffee, tea, cocoa, spices and cereals	1.7	1.2	0.8	1.39	1.53	2.12
Products from grain and products from flour and starch made from fruits and vegetables	1.6	1.3	1.0	1.24	1.33	1.65
Stone, sand and gravel	1.5	1.8	2.4	0.86	0.74	0.63
Medications (including veterinary medications)	1.5	1.6	0.3	0.90	5.34	4.83
Food and drugs, not elsewhere classified	1.5	2.6	0.9	0.57	2.71	1.54
Leather whole cattle hides	1.4	1.9	1.1	0.72	1.75	1.27
Aluminum	1.4	0.5	0.1	2.99	3.17	9.50
Meat and meat products	1.4	1.7	0.9	0.83	1.77	1.46
Non-metallic mineral products not elsewhere classified	1.3	1.3	1.7	1.00	0.75	0.75
Cars and vehicles for the transport of people	1.3	2.6	0.5	0.48	5.59	2.70
Vehicles for the carriage of goods and vehicles for special purposes	1.2	1.0	1.7	1.24	0.57	0.71
Internal combustion piston engines, not elsewhere classified	1.0	1.6	0.2	0.63	9.83	6.22
T-shirts, petticoats, briefs, bikinis, panties, night shirts	1.0	0.0	0.1	41.31	0.36	14.92
Lead	0.9	0.9	1.2	1.04	0.72	0.75
Jackets and blazers, women	0.9	0.8	1.2	1.12	0.66	0.74
Cheese and cottage cheese	0.9	0.7	2.1	1.22	0.34	0.41
Suits and ensembles, men	0.8	0.9	0.8	0.94	1.15	1.08
Sugar, sugar and honey products	0.8	0.7	0.6	1.14	1.34	1.53
Suits and ensembles, women	0.8	0.8	1.1	1.07	0.73	0.78
Articles of base metals not elsewhere classified	0.8	0.8	0.6	1.00	1.47	1.47
Other footwear with uppers of textile materials	0.8	0.8	0.2	1.00	3.47	3.48
Glass containers; tube made of glass; glass parts for vacuum flasks	0.8	0.7	0.6	1.09	1.31	1.43
Butter and other fats and oils derived from milk	0.8	0.8	0.9	1.03	0.79	0.82
Tractors	0.8	0.4	0.4	1.78	1.04	1.85
Overcoats, carcoats, capes, cloaks and similar articles, men	0.8	0.5	0.1	1.52	4.81	7.30
Seeds, fruit and spores, not elsewhere classified	0.7	0.4	0.1	1.86	6.97	12.95
Other mineral products	0.7	1.3	0.8	0.53	1.70	0.91
Woven cotton fabric	0.7	0.8	0.7	0.83	1.13	0.93
Nomenclature Total (mln, USD)	697.6	635.7	598.3	0.19	8.08	1.50
Nomenclature Total (% of total exports)	92%					
Total export	755.0		639.0			

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

n - physical volume of goods imports

p - estimated import price of the goods

Glossary

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

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

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

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

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

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

M0 – currency in hands.

M1 – M0 + demand deposits in national currency.

M2 – M1 + time deposits in national currency.

M2X – M2 + deposits in foreign currency.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Abbreviations

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