

Press Release
**National Bank of the Kyrgyz Republic keeps
its policy rate unchanged at 5 percent**

On February 26, 2018, the Board of the National Bank of the Kyrgyz Republic decided to keep the policy rate unchanged at 5.0 percent. The decision becomes effective as of February 27, 2018.

Inflation in the Kyrgyz Republic remains at a moderate level. In February 2018, the annual inflation was 3.4 percent (as of February 16). The inflationary dynamics is conditioned by relatively stable prices in the international commodity markets and recovery of consumer demand in the country. The annual growth of food prices demonstrates a slowdown, while a positive contribution to non-food inflation was provided by an increase in prices for communication services and excise taxes for certain goods at the beginning of this year. The assessment of factors of inflation shows moderate price dynamics in the upcoming period within the monetary policy target's range of 5-7 percent in the medium-term.

Strengthening the factors of the economic growth in the trade partners conditioned an increase of external demand and steady inflow of remittances to the Kyrgyz Republic. This with the recovery of domestic demand conditioned the increase of economic activity in the country. In January 2018, real GDP grew by 2.3 percent, excluding the data of the "Kumtor" gold-mining enterprises¹ economic growth was 3.4 percent. The output growth is observed in the main sectors of the economy.

The domestic foreign exchange market remains is stable. From the mid of January, the domestic foreign exchange market has shown an excess of foreign currencies's supply over its demand. In January-February 2018 the National Bank in order to smooth sharp exchange rate fluctuations in the foreign exchange market has intervened: net purchase of foreign currency amounted to USD 15.2 million.

Maintenance easy monetary policy conditions during 2017 aimed at stimulating the positive economic growth bring to decrease of market interest rates on loans and expansion of lending of economy. Improvement of monetary policy tools activated the interbank market. Short-term money market rates in national currency continue to fluctuate within the interest rate corridor set by the National Bank.

Prospects of external developments and current internal conditions predetermine inflationary dynamics during 2018 within the target level, which does not exceed the range of 5-7 percent, in the absence of any additional external and internal inflationary shocks. Under these conditions, this level of the policy rate will support the measures to stimulate the real sector of economy.

The National Bank on a regular basis assesses external and internal factors influencing inflation and depending on the economic situation will take relevant monetary policy measures.

Briefing:

The next meeting of the Board of the National Bank of the Kyrgyz Republic on the monetary policy rate is scheduled for March 26, 2018.

¹ The real GDP value without Kumtor enterprises is more indicative for the monetary policy purposes.