

## **Press-release of the meeting of the National Bank of the Kyrgyz Republic Board on the discount rate**

In I quarter of this year, the actual level of the CPI was formed above the forecast by 0.4 percentage points and amounted to 4.7 percent in annual terms, including the fact that food inflation was higher than estimates of the National Bank by 1.0 percentage points, whereas in the non-food inflation, on the contrary, lower by 0.1 percentage points. The main pressure on inflation from devaluation of som caused by exposure of external shocks, manifested in March 2014: March inflation was at 2.1 percent despite the fact that the average value in March in previous years did not exceed 0.7 percent. Devaluation of som led to higher prices for some imported goods. The direct contribution of the impact of som's devaluation on inflation was smoothed by the measures of the National Bank. In April, the situation on the currency market has stabilized.

Economic growth rate in the January-March this year amounted to 5.6 percent (in the same period of 2013 - 8.8 percent), excluding enterprises to develop the field "Kumtor" real GDP was 4.9 percent (in the same period of 2013 - 6.4 percent). Economic growth forecast for the whole 2014 remains within previous estimates of the National Bank.

It was noted Russia's economic growth slowdown, which has affected the volume of remittances (in dollar terms) to the country. Thus, the net inflow of remittances in dollar terms decreased, but the volume of remittances in ruble denomination increased, which generally indicates that there is still demand from households.

According to preliminary data of the State Tax Service in January-March 2014 revenues amounted to 6.4 billion soms at the forecast of 7.7 billion soms or 84.0 percent of the plan. Compared with the previous year receipts of taxes and payments increased by 32.2 million soms or by 0.5 percent. During January-March 2014 on the State Customs Service collection of customs payments totaled 7.5 billion soms at the forecast in the amount of 7.7 billion soms or 96.9 percent of the plan. In comparison with the same period of 2013 the growth rate was 110.4 percent or it was collected more at 701.6 million soms.

Thus, taking into account the risks of reduction in external demand, on the one hand, and on the other hand, increased risk of growth of consumer prices, the Board of National Bank has decided not to change discount rate in April, leaving it at 6.00 percent. Nevertheless, the future dynamics of inflation may lead to revision of the discount rate.