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Press Release

National Bank of the Kyrgyz Republic keeps its policy rate unchanged at 5.0 percent

On September 28, 2020, the Board of the National Bank of the Kyrgyz Republic decided to keep the policy rate (key rate) unchanged at 5.0 percent. The decision becomes effective as of September 29, 2020.

There is uncertainty about duration of the pandemic worldwide. Meanwhile, a number of countries are presenting faster recovery in economic activity compared to expectations. However, in general, the global economy still suffers from the influence of the negative consequences of the spread of COVID-19. World commodity markets demonstrate volatile price dynamics.

There was a slight recovery in economic activity amid easing of restrictive measures to prevent the spread of coronavirus infection in the Kyrgyz Republic, meanwhile the volume of production output in the main sectors of economy remains in the negative zone. More restrained domestic consumption amid a decrease in the inflow of remittances to the country, as well as a reduction of investments in fixed assets, are the constraining factors for a faster economic recovery in the country.

The annual inflation rate was within the inflation target and amounted to 5.1 percent in September (as of September 18) of 2020. Increase in prices for food products, including bakery products and meat, made the main contribution to formation of the current inflation rate. The National Bank expects that the average inflation rate will be within the monetary policy target of 5-7 percent in the medium-term by the end of the current year.

The situation in the monetary sector is stable. Money market participants demonstrate their activity mainly in the short segment. Money market short-term rates fluctuate within the interest rate corridor set by the National Bank. The banking system still demonstrates a high level of excess liquidity, which determines conducting of the sterilization operations by the National Bank. The volume of lending to the economy is still growing, and the deposit base shows steady growth.

In September (as of September 24), the National Bank conducted foreign exchange interventions to smooth sharp fluctuations of the exchange rate conditioned by the influence of external economic conditions, as well as amid fears due to accelerated spread of coronavirus infection worldwide and increased tension of the geopolitical situation in the world.

Taking into account prerequisites for development of the external environment and emerging internal economic conditions, the National Bank decided to keep its policy rate unchanged at 5.0 percent. Meanwhile, generally, the monetary policy instruments will be focused on stimulating the real sector of economy.

The National Bank will continue to regular assess the external and internal factors influencing inflation and, depending on the economic situation, will make relevant monetary policy adjustments

Briefing:

The next meeting of the Board of the National Bank of the Kyrgyz Republic on monetary policy rate is scheduled for November 30, 2020.

Chart 1. Overall inflation in the Kyrgyz Republic
(%, month to the corresponding month of the previous year)

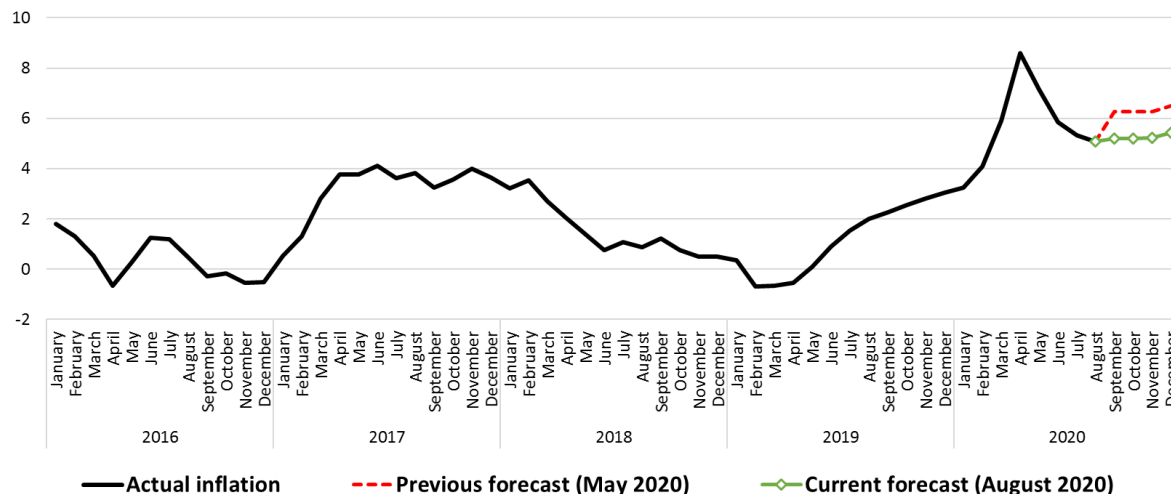
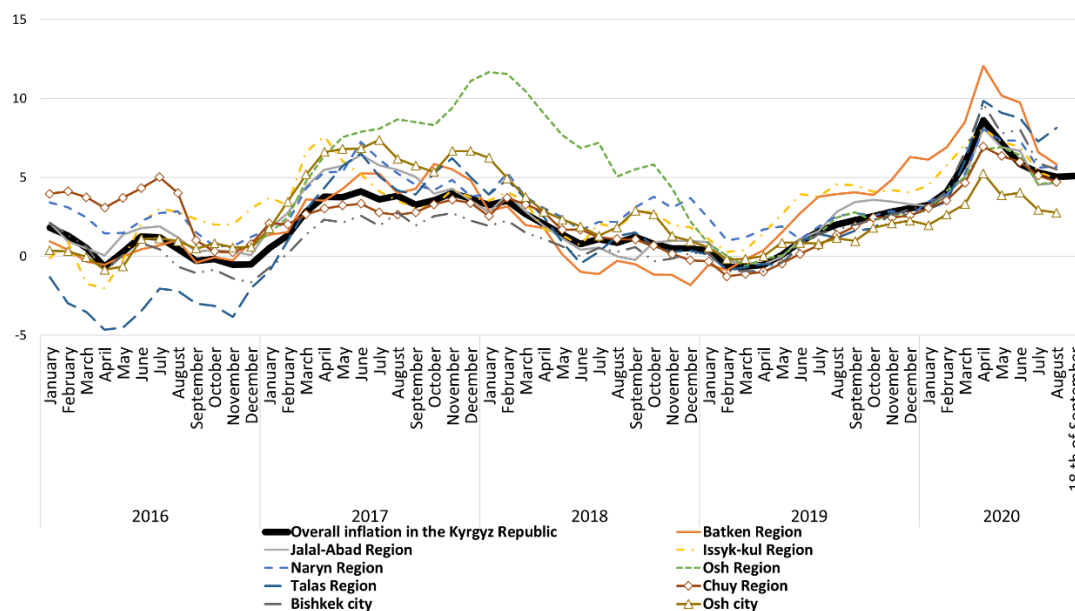


Chart 2. Inflation in the Kyrgyz Republic in regions
(%, month to the corresponding month of the previous year)



*based on data from the National Statistical Committee

Chart 3. Policy rate of the National Bank of the Kyrgyz Republic
(percent)

