

Press Release
**National Bank of the Kyrgyz Republic keeps
its policy rate unchanged at 4.75 percent**

On September 24, 2018, the Board of the National Bank of the Kyrgyz Republic decided to keep the policy rate unchanged at 4.75 percent. The decision becomes effective as of September 25, 2018.

The actual inflation in the Kyrgyz Republic remains at a low level mainly caused by decline in food prices due to sufficient supply in the domestic and foreign markets. Non-food inflation component demonstrates a slowdown in prices growth. In September 2018, the annual inflation made up 1.1 percent (as of September 14). The current inflation dynamics and prospects for internal and external developments allow assessing the inflation rate at 4.0 percent at the end of the current year.

The economic activity in the country is supported by recovery of aggregate demand due to growth of remittance's inflow to the country and increase of real wages. In January-August 2018, real GDP decreased by 0.3 percent, excluding the data on the "Kumtor"¹ economic growth was 2.1 percent. The positive economic growth is supported by the sectors of agriculture, construction, trade and transport.

The monetary sector is characterized by positive trends. In the banking sector a sufficient level of liquidity in the national currency is being observed. Under such circumstances, the National Bank conducts operations on sterilization of excess liquidity. Money market short-term rates in the national currency continue to fluctuate within the interest rate corridor set by the National Bank. The interbank credit market demonstrates increased activity of its participants for the second straight month. An expansion in lending of economy and an increase in deposit base of the commercial banks have been observed.

From the mid of August, the domestic foreign exchange market has shown an excess of foreign currencies' demand over its supply. The National Bank intervened twice in order to smooth sharp exchange rate fluctuations. In general, the domestic foreign exchange market remains stable.

The analysis of the factors influencing the external environment related to the prospects in the international commodity markets, as well as the trends for internal conditions development allow expecting an inflationary dynamics in the medium-term within the monetary policy target of 5-7 percent. Therefore, the National Bank decided to keep its policy rate unchanged.

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 November 26, 2018.

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