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Press Release

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

On June 29, 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 June 30, 2020.

The economy of the Kyrgyz Republic remains affected by changes in the global and regional economy amid the continuation of COVID-19 pandemic. Despite slight economic recovery in certain countries of the world after quarantine lifting, generally real GDP dynamics in many countries remains in negative zone. The international financial organizations are revising the forecasts for the global and regional economic development downwards. In 2020 recession in the global economy is expected to be significant.

Low economic activity in the Kyrgyz Republic continues to be reflected in the dynamics of GDP indicators, showing a decline in production in almost all sectors of the economy. Downward trend in remittances to the country and in inflows of export earnings is still observed being a restraining factor for domestic consumption.

Weakening of domestic demand determines the downward inflationary dynamics in the country. In June (as of June 19) of 2020, annual inflation fell down to 6.1 percent after it reached the level of 8.6 percent in April of the current year. The slowdown in inflation was mainly due to a decrease in growth of food component. Current inflation dynamics is generally in line with the expectations of the National Bank.

Monetary policy measures taken amid the COVID-19 support the monetary sector as a whole. The monetary environment demonstrates stability. Short-term money market rates fluctuate within the interest rate corridor set by the National Bank, near the key rate. Loan portfolio and deposit base of the commercial banks demonstrate gradual growth.

Expansion of expenditures in the public finance sector and lending operations actively conducted by the National Bank to support the real sector of economy lead to an increase of excess liquidity in the banking system. The National Bank is still conducting sterilization operations mainly in short-term money market segment. The domestic foreign exchange market is relatively stable.

Assumptions about restraining effect of weakening domestic and external demand on inflationary dynamics in the country still exist. The National Bank maintains its previous inflation forecasts and expects its average value to be within the medium-term monetary policy targets of 5-7 percent by the end of the current year.

Taking into account the prospects for the external environment development and current internal economic conditions, the National Bank decided to keep its policy rate unchanged at 5.0 percent, with due regard to the need to maintain 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. In case of any risks, the National Bank has sufficient tools to mitigate their consequences.

Briefing:

The next meeting of the Board of the National Bank of the Kyrgyz Republic on monetary policy rate is scheduled for August 24, 2020.

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

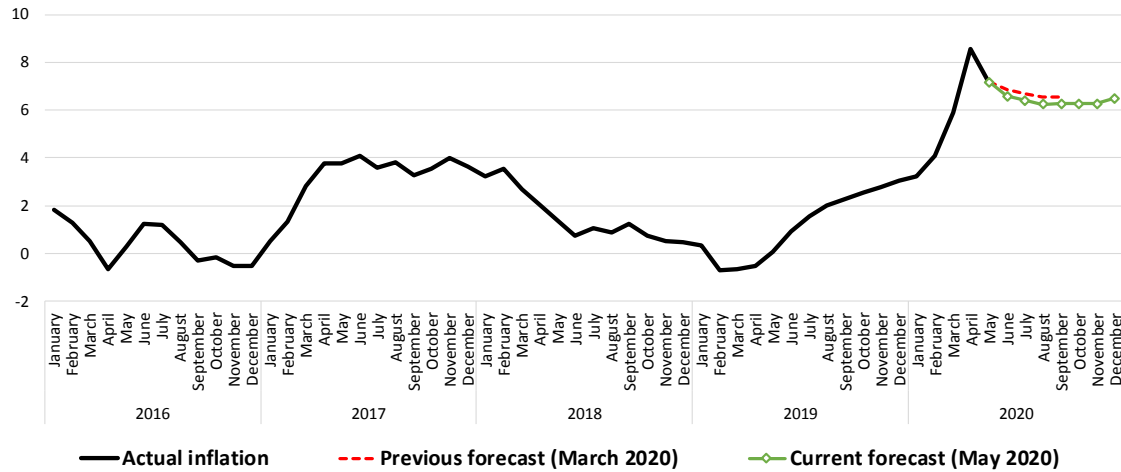
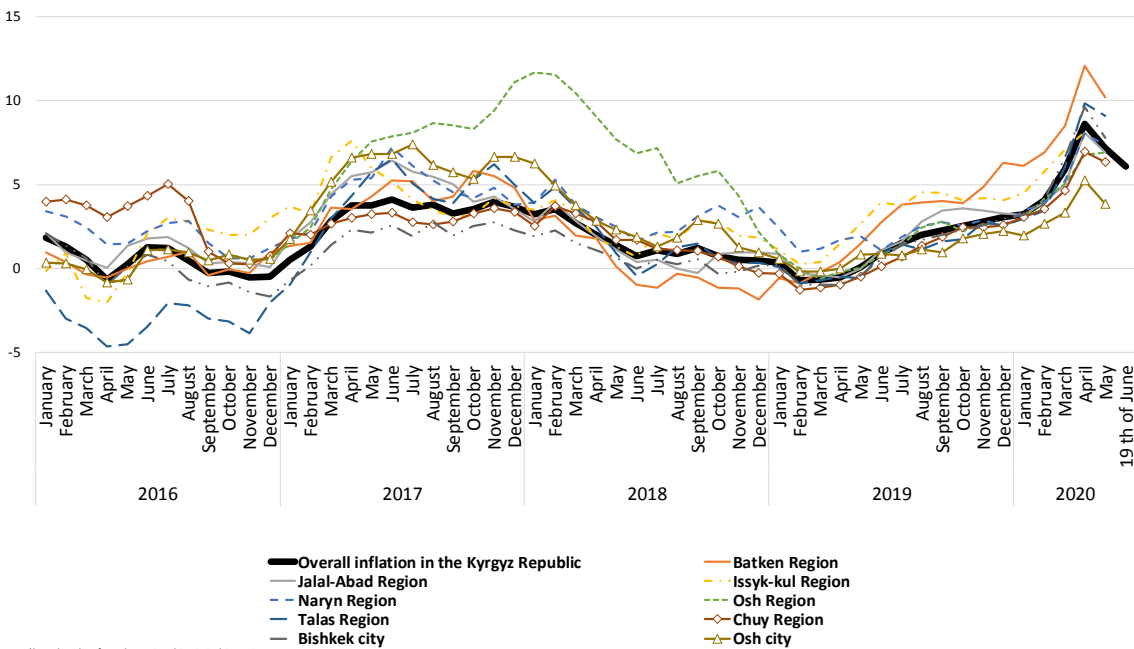


Chart 2. Inflation in the Kyrgyz Republic in regions
(%, month to the corresponding month of the previous year)



*based on data from the National Statistical Committee

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

