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Press Release

National Bank of the Kyrgyz Republic increased its policy rate up to 5.5 percent

On February 22, 2021, the Board of the National Bank of the Kyrgyz Republic decided to increase the policy rate (key rate) by 50 basis points, up to 5.5 percent. The decision becomes effective as of February 24, 2021.

Development of the global economy remains multidirectional amid impact of the COVID-19 pandemic consequences. International trade demonstrates decline in volumes, meanwhile in the world commodity markets the situation is still ambiguous. All these factors still have a restraining effect on the global economic growth and economic activity in the Kyrgyz Republic.

The economic recovery in the Kyrgyz Republic is taking place at a modest pace. In all major sectors of the economy in the country, there is still reduction in output production. Domestic demand remains weak, however, positive dynamics in the inflow of remittances to the country is among the factors of its recovery. At the end of 2020, the net inflow of individuals' remittances to the country increased by 2.0 percent and amounted to USD 1.9 billion.

As the prices in the world food markets is rising the inflation rate in the country remain increasing. In February 2021 (as of February 12), the annual inflation rate in the Kyrgyz Republic was 10.2 percent. Actual inflation rate was mainly formed by rise in prices for the main components of the commodity group of goods, mainly imported into the country. In Q1 2021, planned increase in excise taxes on alcohol and tobacco makes an additional contribution to the general price level during the current year. Taking into account the current internal and external factors, after some acceleration, the inflation rate is expected to become stable gradually by the middle of the year and it will be within single-digit values by the end of the year.

The interbank money market is characterized by the persisting positive trends; short-term interest rates in this market were mainly formed near the key rate within the interest rate corridor set by the National Bank. Participants are becoming more active in all segments of the money market. Availability of a high level of excess liquidity in the banking system, accumulated during 2020 amid changes in the structure of fiscal operations, conditions sterilization operations conducted by the National Bank in significant volumes to minimize possible inflationary risks.

The domestic foreign exchange market is relatively stable. There was an increase in demand for foreign currency in some periods amid influence of external economic conditions. The National Bank participates in the foreign exchange market to smooth sharp fluctuations in the exchange rate.

Gradual economic recovery in the trading partner countries is expected to contribute to increased economic activity in the country to meet external demand in the medium term. At the same time, rise in prices in the world commodity markets determines stable increase of consumer prices in the Kyrgyz Republic in the near future. Taking into account prerequisites for development of the external environment and internal economic conditions, the National Bank decided to increase its policy rate up to 5.5 percent. In case of any risks, the National Bank does not rule out the possibility of making additional adjustments to the current monetary policy.

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 April 26, 2021.

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

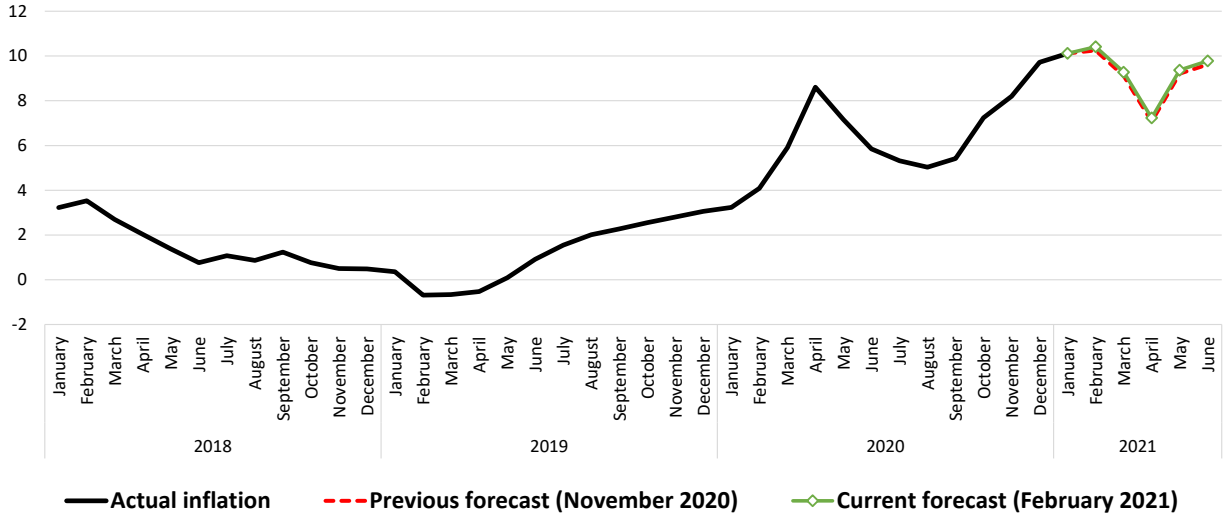
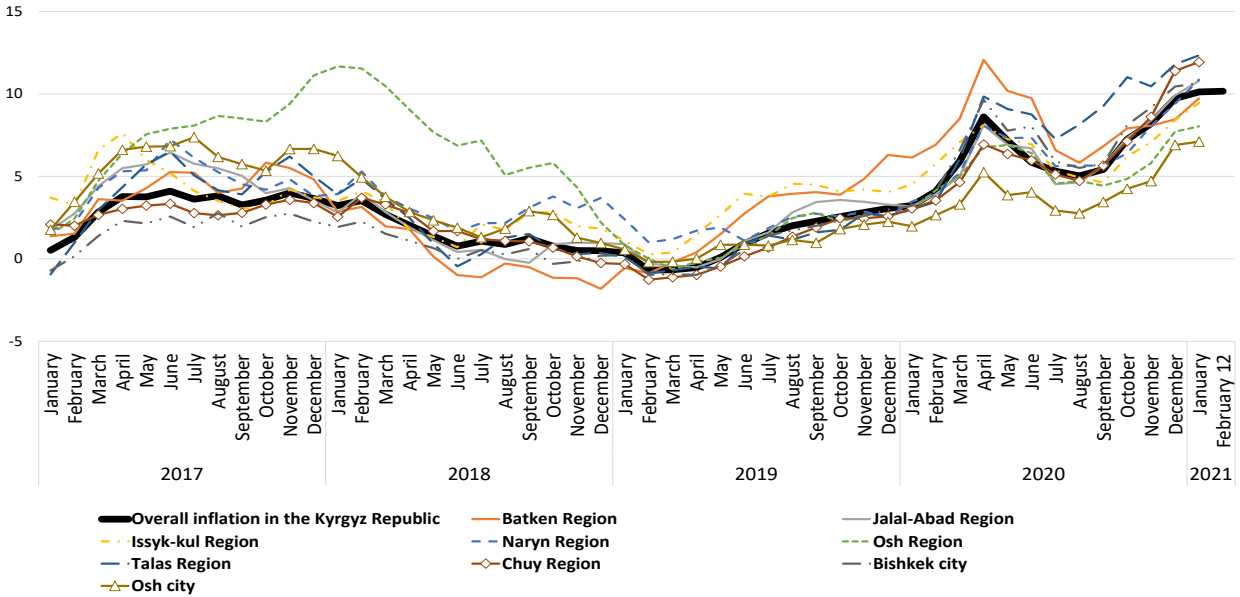


Chart 2. Inflation in the Kyrgyz Republic in regions
(%, month to the corresponding month of the previous year)



*based on data from the National Statistical Committee

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

