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Press Release

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

On November 30, 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 December 1, 2020.

The epidemiological situation in the world remains tense. Baseline forecasts made by the international organizations assume that the global economic recovery will be long, uneven and accompanied by uncertainty. Volatility in the world commodity markets persists.

There was a slight slowdown in recovery of economic activity in the Kyrgyz Republic amid the influence of the negative external and internal factors. Almost all sectors of economy still demonstrate a significant decline in the volume of production output. The return of the economy to the path of sustainable economic growth will largely depend on the epidemiological situation in the country, the economic recovery rate in the trading partner countries, as well as on the price movement in the world commodity markets.

There is an increase in prices for basic food products imported by the Kyrgyz Republic in the world food markets. This factor conditioned a slight acceleration in the inflation rate amid complicated logistics of goods imported into the country, increased demand for domestic meat in the neighboring countries, as well as the global trend towards strengthening of the US dollar. In November 2020 (as of November 20), annual inflation was 7.9 percent. In the current economic conditions, a temporary acceleration of inflation will be observed until the end of 2020, with its average value remaining within single-digit limits.

Generally, the situation in the monetary sector did not suffer significant changes. Short-term interest rates in the money market have a common direction with the policy rate of the National Bank and are still fluctuating within set interest rate corridor. The interbank credit market remains active. Loan portfolio and deposit base continue expanding.

There was an excess of demand for foreign currency over supply thereof in the domestic foreign exchange market in November. External factors, in particular volatility in the commodity markets, repeated introduction of restrictions in a number of countries due to the COVID-19 pandemic and associated negative expectations in the global economy, were the factors of pressure on the exchange rate of the national currency and conditioned foreign exchange interventions conducted by the National Bank to mitigate sharp fluctuations in the exchange rate.

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 January 25, 2021.

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

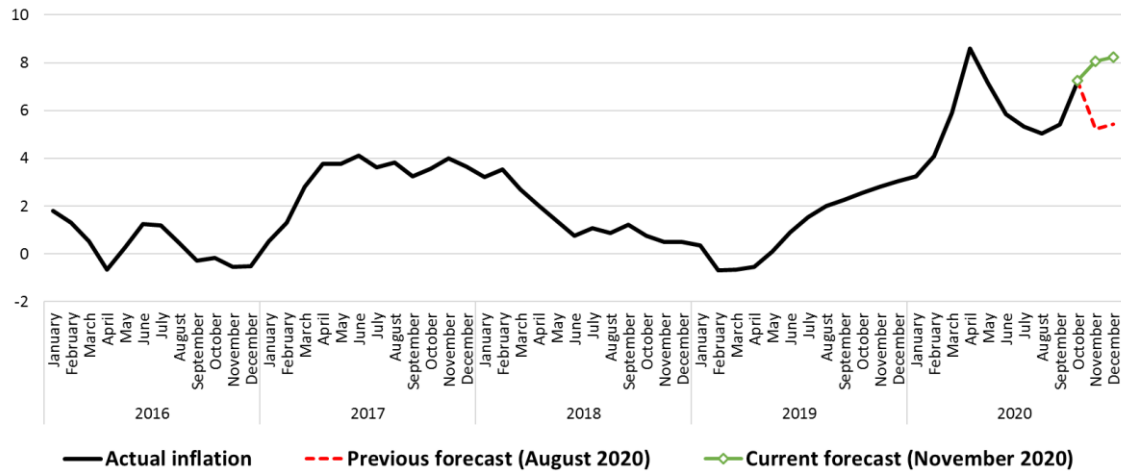


Chart 2. Inflation in the Kyrgyz Republic in regions
(%, month to the corresponding month of the previous year)

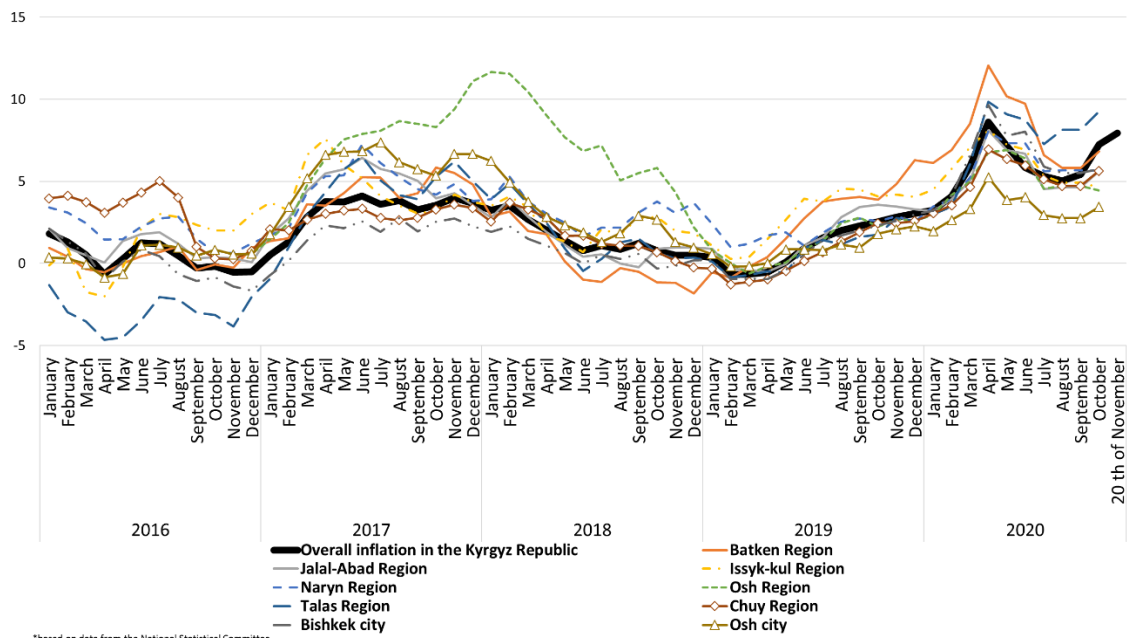


Chart 3. Policy rate of the National Bank of the Kyrgyz Republic
(percent)

