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Press Release

National Bank of the Kyrgyz Republic keeps its policy rate unchanged at 4.50 percent

On March 25, 2019, the Board of the National Bank of the Kyrgyz Republic decided to keep the policy rate unchanged at 4.50 percent. The decision becomes effective as of March 26, 2019.

Price dynamics in the Kyrgyz Republic remains low. In March (as of March 15), overall price level decreased by 0.4 percent in annual terms. Food prices declined. The increase in prices for services and non-food is slowing down, while prices for alcoholic beverages and tobacco show moderate growth. The National Bank forecasts inflation to be at the level of 5.0 percent by the end of 2019 (December 2019/December 2018), and its annual average value is expected to be no higher than 3.0 percent.

The growth trend formed mainly in the manufacturing industry continues in the economy. In January-February 2019, real GDP growth rate increased by 4.9 percent, excluding the data of the “Kumtor” gold-mining enterprises – by 1.0 percent. Domestic demand continues to be supported by remittance’s inflow and increase of real wages (in January 2019, net inflow of remittances increased by 11.2 percent, real wages – by 4.4 percent).

Monetary policy focused on supporting the measures to stimulate the real sector of the economy contributed to the further expansion of lending of economy. Short-term money market rates continue to be within the interest rate corridor set by the National Bank and getting closer to the policy rate. Interbank credit market activity is observed to increase. Excess liquidity remains in the banking system which leads to the National Bank’s withdrawal operations. The situation in the domestic foreign exchange market is stable.

Provided that the growth trends in the economies of the main trading partners are maintained until the end of 2019, and also taking into account the relative price stability in the global commodity markets and in the absence of external and internal shocks, a gradual increase in economic activity in the country and region will determine the formation of inflation in the medium-term within the range of 5-7 percent monetary policy target. Under these conditions, it was decided to keep the policy rate. If risks occur in the internal and external environment, the National Bank may consider the possibility of making adjustments to the current monetary policy.

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 is scheduled for May 27, 2019.

Chart 1. General inflation in the Kyrgyz Republic

(%, month to the corresponding month of the previous year)

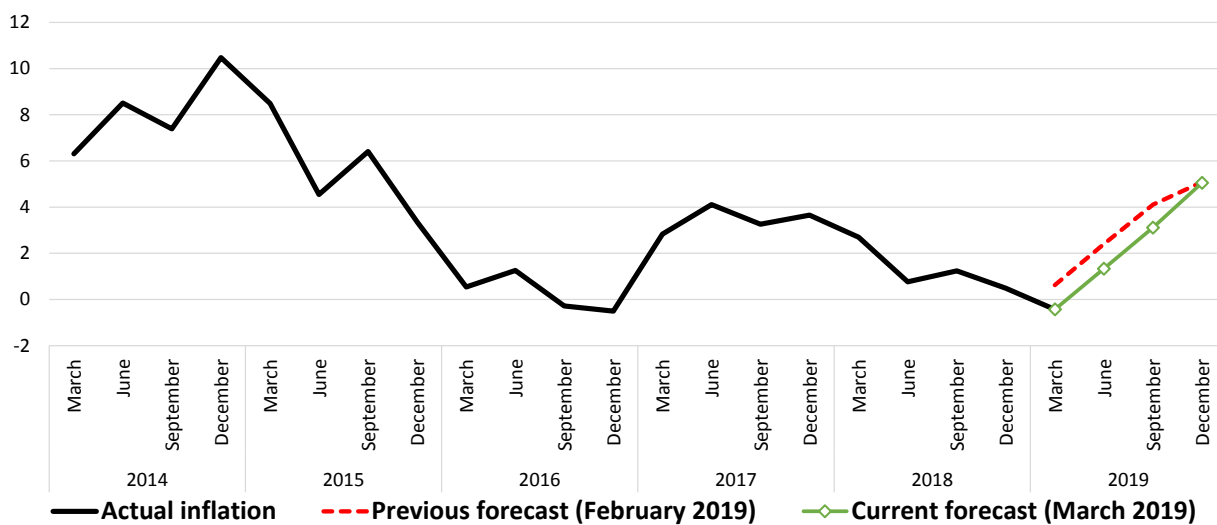


Chart 2. Inflation in the Kyrgyz Republic per region

(%, month to the corresponding month of the previous year)

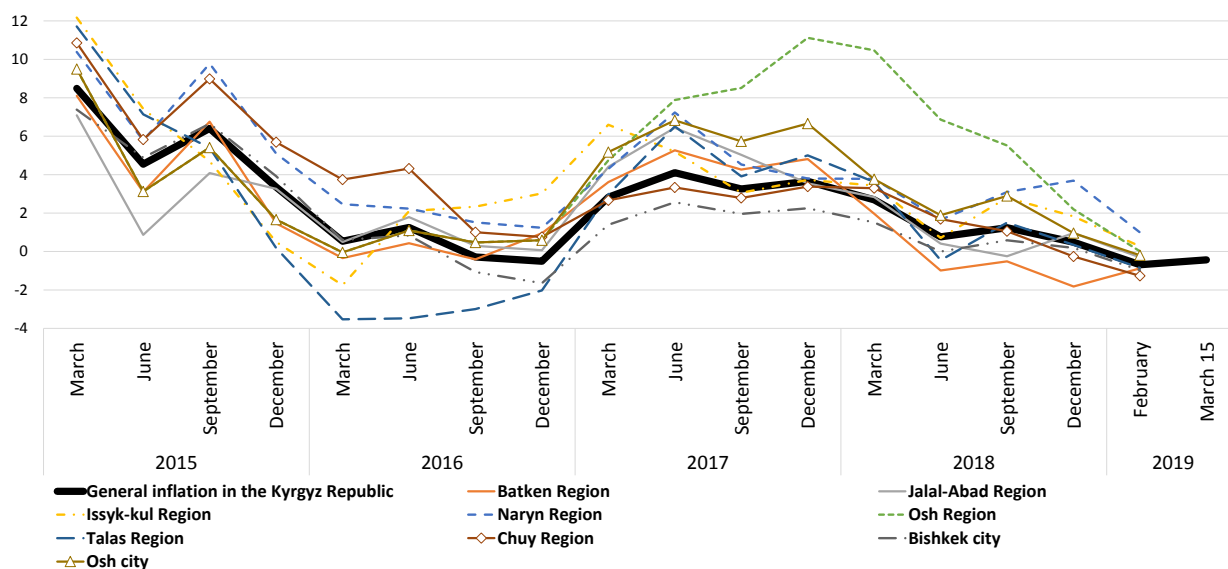


Chart 3. Policy rate of the National Bank of the Kyrgyz Republic

(percent)

