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Press Release

National Bank of the Kyrgyz Republic reduced its policy rate to 4.25 percent

On May 27, 2019, the Board of the National Bank of the Kyrgyz Republic decided to reduce the policy rate (key rate) by 25 basis points to 4.25 percent. The decision becomes effective as of May 28, 2019.

Price dynamics still remains at a low level. In May (as of May 17), annual inflation was 0.3 percent. A decline in food prices slowed down and getting closer to zero. Core inflation¹ continues to decline, reaching its lowest level since the beginning of 2017.

Economic activity in the country demonstrated upward trend. In January-April 2019, real GDP was 5.7 percent, excluding the data of the “Kumtor” gold-mining enterprises real GDP increased by 1.6 percent. Amid low price dynamics, the manufacturing industry and the positive dynamics of aggregate domestic demand supported by inflow of remittances and increase in real wages made the main contribution to economic growth.

The economy of the Kyrgyz Republic developed in line with the expectations of the National Bank. Meanwhile, the prices in the global food markets were lower than the forecast values of the National Bank amid increase in supply. It is expected that the trend existing in the global and regional markets will not bear significant inflationary risks for the economy of the Kyrgyz Republic in the coming periods.

These factors allowed the National Bank to adjust inflation forecasts downward: by the end of 2019, inflation is expected to be no higher than 4.0 percent (December 2019/December 2018), and average inflation is expected to be at 1.0 percent in the absence of internal and external shocks.

Monetary policy focused on supporting measures to stimulate the real sector of the economy contributed to further expansion of lending of economy and decrease in interest rates. Short-term money market rates are still within the interest rate corridor set by the National Bank, and are getting closer to the policy rate. Interbank credit market activity remains at a relatively high level. There is an increase in excess liquidity in the banking system, which conditions an increase in the National Bank’s operations on its withdrawal. The situation in the domestic foreign exchange market is stable.

¹ Core inflation is a consumer price index that excludes goods and services being most exposed to supply and demand shocks, seasonal and eventual factors, as well as the administrative impact of government authorities on pricing processes. It is more indicative for the monetary policy purposes.

The moderate dynamics of aggregate demand, the prospects of economic growth in the trading partner countries and low inflationary risks in the current year allowed reducing the policy rate and expecting inflation within the monetary policy target range of 5-7 percent in the medium term. If inflation 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.

Information note:

The next meeting of the Board of the National Bank of the Kyrgyz Republic on the monetary policy rate is scheduled for June 24, 2019.

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

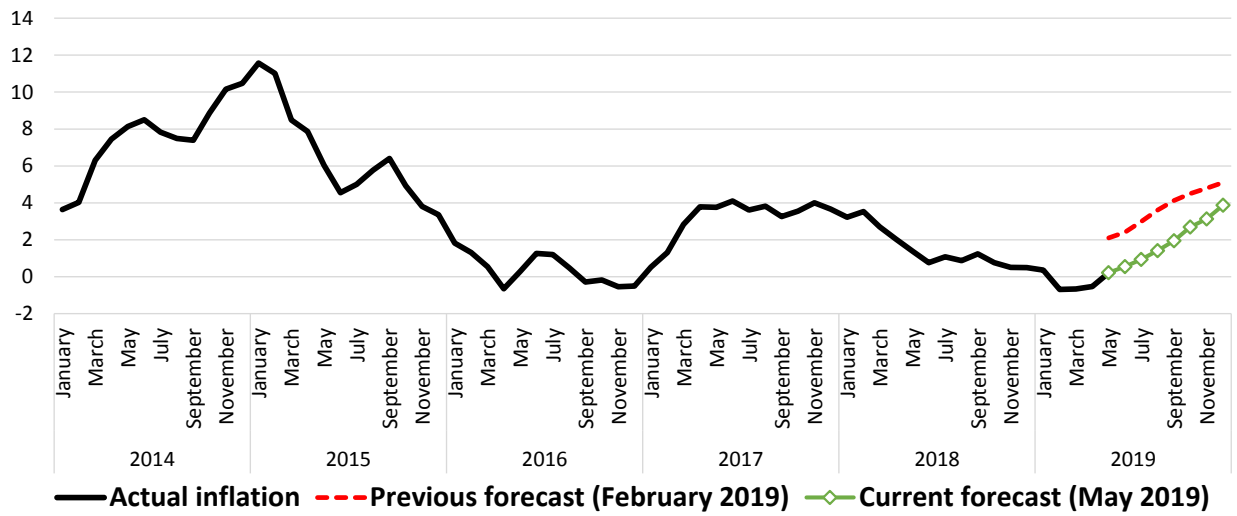


Chart 2. Inflation in the Kyrgyz Republic per region
(%, month to the corresponding month of the previous year)

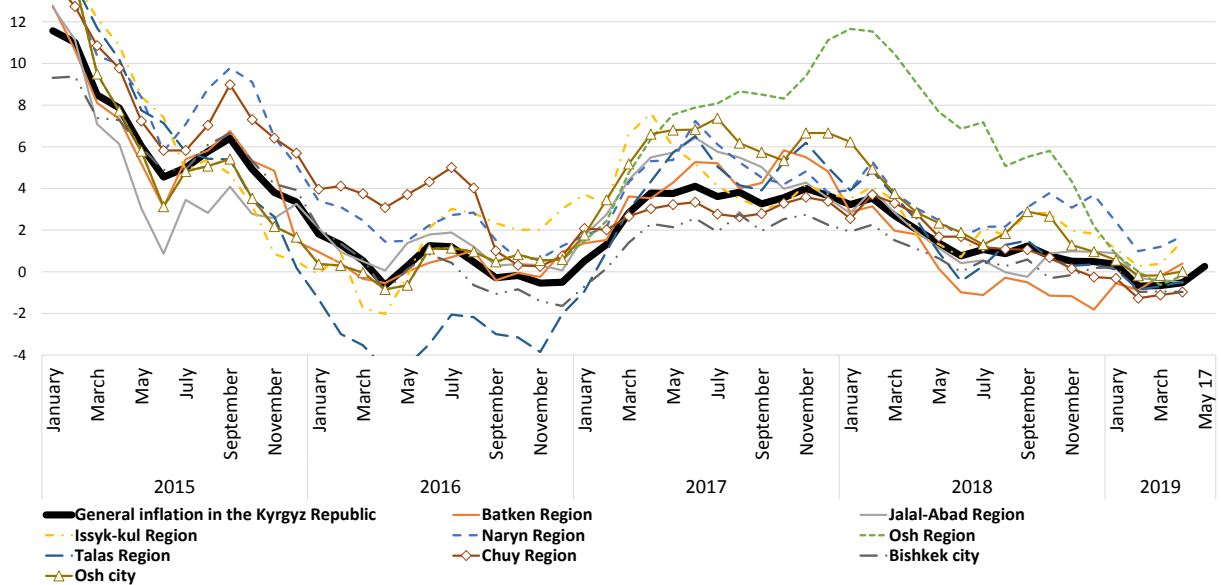


Chart 3. Policy rate of the National Bank of the Kyrgyz Republic
(percent)

