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Press Release

National Bank of the Kyrgyz Republic keeps its policy rate unchanged at 4.25 percent

On June 24, 2019, the Board of the National Bank of the Kyrgyz Republic decided to keep the policy rate unchanged at 4.25 percent. The decision becomes effective as of June 25, 2019.

Inflationary dynamics in the Kyrgyz Republic remains restrained. In June (as of June 14), annual inflation was 0.9 percent. Inflation was conditioned by a slight recovery in prices for fruits and vegetables due to seasonal factors.

Economic growth has been continuing. In January-May 2019, real GDP increased by 5.6 percent, excluding the data of the “Kumtor”¹ gold-mining enterprises – by 1.5 percent. The industrial sector made the main contribution to real GDP growth. The aggregate domestic demand has been supported by inflow of remittances and increase in real wages.

Estimates for development of the external environment and for price dynamics in the global food markets remain in line with the expectations of the National Bank. Inflation forecasts remained unchanged: 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 at the level 1.0 percent in the absence of internal and external shocks.

Maintaining easy monetary policy contributed to further expansion of lending of economy and an increase in the deposit base of the commercial banks. Interbank credit market is characterized by continued activity of participants. The gap between short-term money market rates and the policy rate is becoming narrower; the dynamics of these rates is mainly concentrated in the middle of the interest rate corridor set by the National Bank. There was a slight decrease of excess liquidity in the banking system; however its level is still high. In this regard, the National Bank continues conducting sterilization operations.

Domestic foreign exchange market is relatively stable. At the end of May of the current year, due to the excess demand for foreign currency over its supply, the National Bank sold foreign currency to the amount of USD 27.0 million in the domestic foreign exchange market to prevent sharp fluctuations of exchange rate.

Positive dynamics of aggregate demand and low inflationary risks from foreign markets allowed to keep the policy rate unchanged. In the medium term inflation is expected to reach 5-7 percent provided that there are no shocks. If external and internal risks occur, the National Bank may consider the possibility of making adjustments in 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.

¹ The real GDP value without “Kumtor” enterprises is more indicative for the monetary policy purposes

Briefing:

The next meeting of the Board of the National Bank of the Kyrgyz Republic on the monetary policy rate is scheduled for August 26, 2019.

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

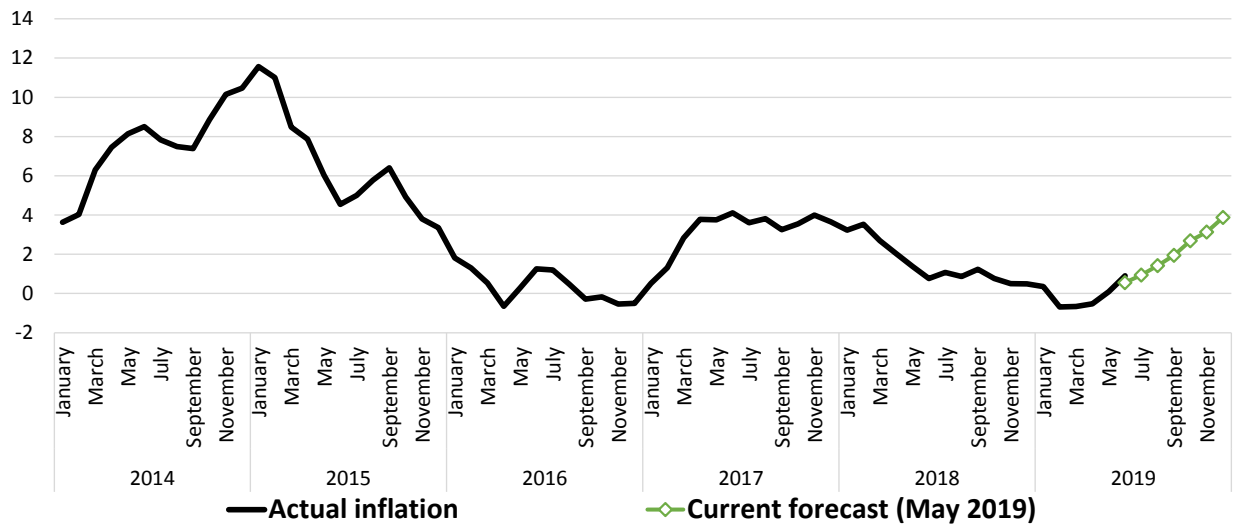


Chart 2. Inflation in the Kyrgyz Republic per region
(%, month to the corresponding month of the previous year)

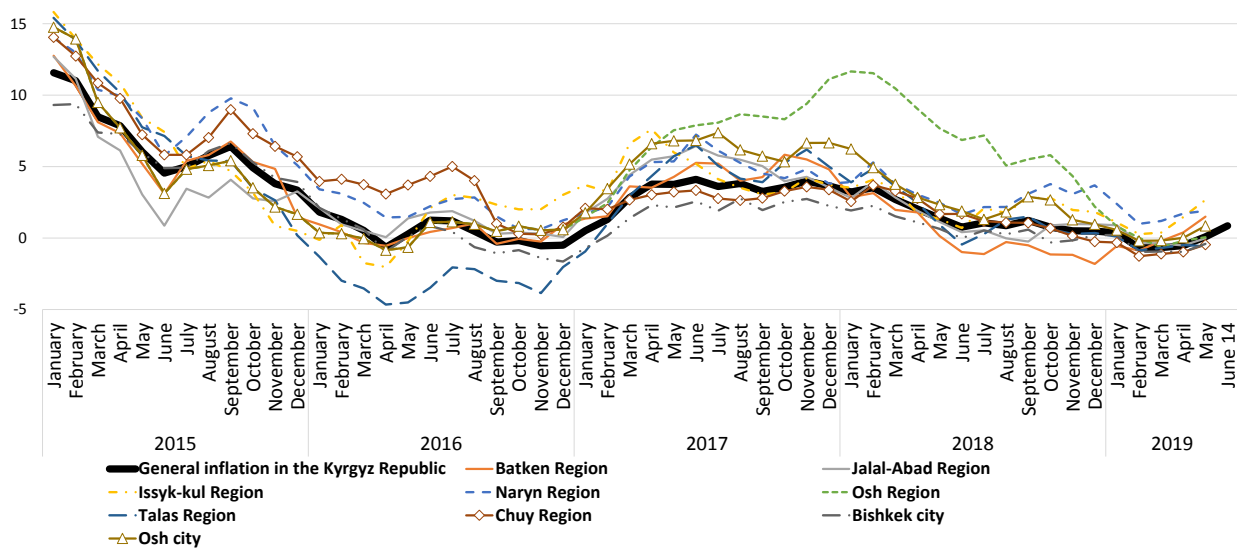


Chart 3. Policy rate of the National Bank of the Kyrgyz Republic
(percent)

