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Press Release

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

On December 23, 2019, the Board of the National Bank of the Kyrgyz Republic decided to keep the policy rate (key rate) unchanged at 4.25 percent. The decision becomes effective as of December 24, 2019.

Inflation in the Kyrgyz Republic remains at moderate level and is in line with the expectations of the National Bank. In December (as of December 13), annual inflation was 2.9 percent. Current inflation is formed by the positive contribution of food prices. Core inflation remains low.

According to the expectations of the National Bank in 2019 average inflation will be around 1.2 percent; in 2020 inflation will not exceed the monetary policy target of 5-7 percent amid the price recovery in the world commodity markets and in the absence of internal and external shocks. The expected trends in the global and regional markets in the coming period will not cause significant inflationary risks for economy of the Kyrgyz Republic.

Economic activity in the real sector is continued. In January-November 2019, real GDP growth was 4.9 percent, excluding the data of the “Kumtor” gold-mining enterprises¹ – real GDP increased by 3.5 percent. Output increase is observed in all major sectors of economy, the industry continues to make the most significant contribution.

Positive trends are still observed in monetary and financial sectors of economy. Taken tactical monetary policy measures have led to decrease in volatility of short-term interest rates in money market and its formation near the policy rate. Since the beginning of the current year, there has been a steady upward trend of deposit base, as well as an increase in the volume of the commercial banks’ loan portfolio. The banking sector has a high volume of excess liquidity, which causes the National Bank to conduct sterilization operations. Dollarization level of economy still demonstrates a downward trend.

Forecasts on economic development of the Kyrgyz Republic and its trading partners, as well as the development prospects of the world commodity markets allow expecting inflation in the Kyrgyz Republic to be within the monetary policy target of 5-7 percent in the medium term. Under these conditions the policy rate was kept unchanged at 4.25 percent. In case of risks in the internal and external environment, the National Bank may consider the possibility of adjusting the current monetary policy.

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

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 rate is scheduled for January 27, 2020.

Chart 1. Overall inflation in the Kyrgyz Republic

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

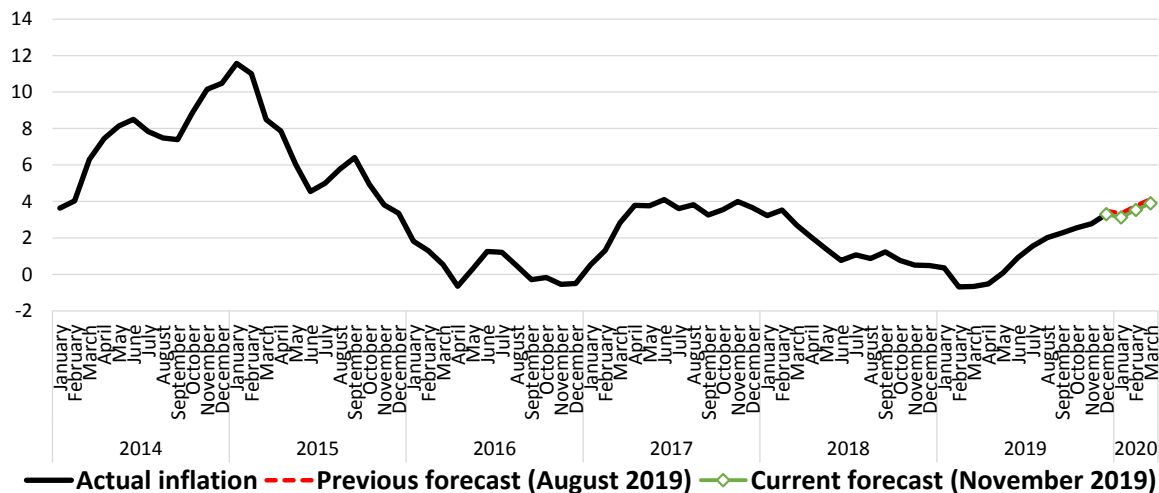


Chart 2. Inflation in the Kyrgyz Republic in regions

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

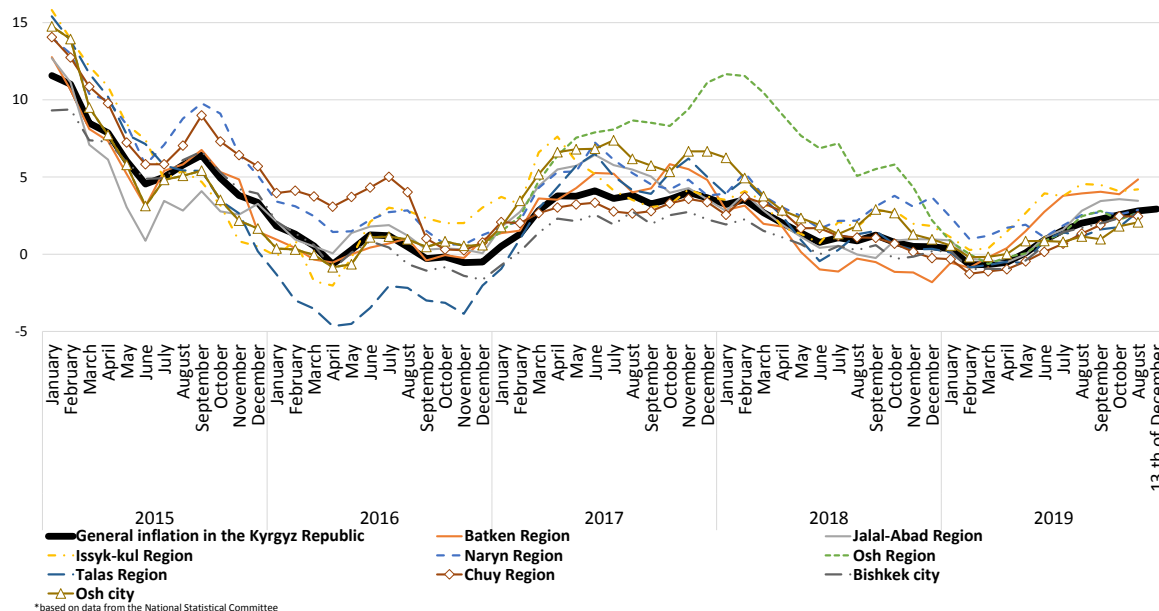


Chart 3. Policy rate of the National Bank of the Kyrgyz Republic

(percent)

