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Press Release

National Bank of the Kyrgyz Republic keeps its policy rate unchanged at 9.00 percent

On July 29, 2024, the Board of the National Bank of the Kyrgyz Republic decided to keep the policy rate (key rate) unchanged at 9.00 percent. The decision becomes effective as of July 30, 2024.

Inflation in the Kyrgyz Republic remains moderate since May of the current year against the backdrop of a decrease in the growth rates of prices for food products and the impact of seasonal factor of price dynamics. In July¹ 2024, the annual inflation rate was 4.2 percent. In the structure of inflation, the annual growth rates of prices for food products were formed at 0.6 percent, for non-food products – 7.4 percent, for services – 6.8 percent.

In the first half of 2024, high consumer and investment activity of the economic entities conditioned economic growth in the country at 8.1 percent. High GDP growth rates is provided by significant increase in the construction and services sector. At the same time, growth of real incomes of the population and net inflow of remittances still influences the expansion of domestic consumption.

The banking sector of the country remains stable and highly liquid. There is an increase in lending to the economy by 9.0 percent (in the first half of 2024), mainly for the population's consumption. Since the end of April 2024, due to easing the interest rate policy of the National Bank, the interbank money market is characterized by a decrease in the short-term interest rates being near the lower rate of the interest rate corridor set by the National Bank. Exchange rate flexibility remains unchanged in the domestic foreign exchange market, and since April of the current year the volume of foreign currency supply exceeded the demand for it, which conditioned current strengthening of the national currency.

External economic conditions remain ambiguous amid stable geopolitical factor and high volatility in the global financial and commodity markets. During recent months, global food market prices demonstrate a gradual increase after their long-lasting decline. Inflationary processes continue develop at a relatively high level in certain countries-trading partners of the Kyrgyz Republic.

Assessment of the external and internal inflation factors indicates that the annual inflation rate will form within the medium-term target of 5-7 percent by the end of the current year. Taking into account price volatility in the global food and commodity markets, planned revision of the tariff policy of the state, as well as with a view to further reducing inflationary expectations of the population, it is considered necessary to keep the policy rate of the National Bank unchanged at 9.00 percent. The adopted decision corresponds to the National Bank's monetary policy focused on maintaining price stability in the country and creating conditions for

¹ As of July 19, 2024

ensuring macroeconomic sustainability.

The National Bank continues to assess the emerging external and internal factors of inflation, and, taking into account remaining risks in the external environment, will adhere to a balanced approach to conducting monetary policy.

In case of any risks, the National Bank does not exclude the possibility of making additional adjustments to the current monetary policy.

The next regular meeting of the Board of the National Bank of the Kyrgyz Republic on the policy rate is scheduled for August 26, 2024.