



КЫРГЫЗ БАНКЫ

168 Chuy Avenue, Bishkek, Kyrgyz Republic

E-mail: [mail@nbkr.kg](mailto:mail@nbkr.kg)

[www.nbkr.kg](http://www.nbkr.kg)

## Press Release

### **National Bank of the Kyrgyz Republic decreased its policy rate down to 9.00 percent**

On May 27, 2024, the Board of the National Bank of the Kyrgyz Republic decided to decrease the policy rate (key rate) by 200 basis points, down to 9.00 percent. The decision becomes effective as of May 28, 2024.

Inflation in the Kyrgyz Republic demonstrates stable slowdown: in May<sup>1</sup> 2024, the annual growth rate of consumer prices was 4.4 percent (in December 2023 – 7.3 percent). The downward price dynamics resulted from the National Bank's monetary policy conducted since 2022 being focused on restricting inflation growth and gradual decrease of the economic entities' inflation expectations. In the structure of inflation, price growth for food products continues to decrease steadily which is particularly facilitated by a smooth decline of the world prices in the food markets.

Economic activity in the Kyrgyz Republic continues to demonstrate robust growth: in January-April 2024, the growth rate of real GDP was 7.4 percent. The sectors of construction and services provide the main contribution to economic growth: a significant expansion of fixed asset investment conditioned growth in the construction sector; in the services sector, as before, the retail and wholesale trade demonstrate an increase. Domestic consumption continues to expand amid an increase of the population's real incomes and net inflow of the individuals' remittances into the country.

The situation in the interbank money market remains stable. The short-term interest rates of the money market demonstrate a decrease upon change of the National Bank's key rate. The banking system is characterized by a high level of excess liquidity in the national currency, creating prerequisites for further expansion of lending to the real sector of economy. Exchange rate flexibility is preserved in the domestic foreign exchange market. Within the framework of the floating exchange rate regime, the National Bank participates in the foreign exchange auctions to smooth sharp fluctuations of the exchange rate.

In the external economic environment, the dynamics of the main factors affecting the economy of the Kyrgyz Republic is formed ambiguously, however, in general, the degree of their impact is balanced. Tight monetary policy conditions of the world leading countries contribute to slowdown of the global inflation. The world food markets have become stable and prices for basic food products demonstrate stable decline. At the same time, the oil and gold markets remain volatile due to existing geopolitical tensions in some regions of the world.

Stable slowdown of the annual inflation rate in the Kyrgyz Republic together with expected formation of its value within the medium-term target of 5-7 percent by the end of the current year creates space for monetary policy easing. Under these conditions, the National Bank

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<sup>1</sup> As of May 17

decided to decrease the policy rate down to 9.00 percent.

The monetary policy of the National Bank is focused on maintaining price stability in the country and creating conditions for ensuring macroeconomic strength. Therefore, 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 prudent 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 July 29, 2024.