

Press Release
**National Bank of the Kyrgyz Republic keeps
its policy rate unchanged at 4.75 percent**

On June 25, 2018, the Board of the National Bank of the Kyrgyz Republic decided to keep the policy rate unchanged at 4.75 percent. The decision becomes effective as of June 26, 2018.

Since the beginning of the year, inflation in the Kyrgyz Republic continues to decline. In June 2018, the annual inflation made up 1.0 percent (as of June 15). Decline in food prices remains the main factor of low inflationary environment. The inflation dynamics will not exceed the monetary policy target range of 5-7 percent in the medium-term, in case of the favorable situation in the domestic and foreign markets and absence of shocks.

The Kyrgyz Republic has demonstrated a certain slowdown in the economic activity. In January-May 2018, real GDP growth was 0.7 percent, excluding the data on the “Kumtor” gold-mining enterprises¹ – 2.5 percent. The positive economic growth is supported by private consumption due to continued remittance’s inflow and increase of real wages. The favorable economic situation and its prospects for 2018 in the trading partner countries of Kyrgyzstan are expected to have a positive impact on the economic activity of the Kyrgyz Republic.

The banking system still has a sufficient level of liquidity. Easy monetary conditions contributed to a slight decrease of market interest rates. The activity in the interbank credit market has slightly decreased. Previously taken monetary policy measures are effecting the current decrease of market interest rates on loans and expansion of lending of economy. The domestic foreign exchange market remains stable.

The positive dynamics of aggregate demand, as well as the easy monetary conditions, in case of additional shocks’ absence will provide some recovery in inflationary dynamics in the medium term. Taking into account the balance of risks from the external sector and the tendency of internal conditions, the National Bank decided to keep the policy rate. The National Bank intends to adhere to the current direction of monetary policy in the upcoming period in the absence of external shocks.

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 August 27, 2018.

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