

Dynamics of monetary indicators in January-October of 2015

In January-October of 2015, the growth rate of the economy (according to the preliminary data of the National Statistical Committee) amounted to 4.8 percent (in January-October of 2014 - 4.4 percent). Excluding production of the “Kumtor” gold-mining company, the growth rate in GDP made 4.0 percent (4.5 percent - in January-October of 2014).

In January-October of 2015, the inflation made 1.4 percent, at the same time the annual inflation made 4.9 percent in October 2015 (In January-October of 2014, the inflation made 6.8 percent, annual inflation made 8.9 percent). According to the method of IMF¹, the core inflation amounted to 6.1 percent in January-October of 2015; it amounted to 7.8 percent in annual term (in January-October of 2014– 6.2 percent, in annual term – 8.1 percent)

From the beginning of 2015, the official exchange rate of US dollar against KGS increased by 18.4 percent and amounted to 69.6980 KGS per 1 US dollar (in January- October of 2014 – by 16.5 percent).

In January-October of 2015, the monetary base increased by 4.8 percent and amounted to 67 583.1 million KGS (in January-October of 2014 it decreased by 7.0 percent); particularly, money in circulation increased by 1.8 percent when the reserves of other depository corporations (ODC) increased by 28.1 percent.

Outstripping growth rates of ODC reserves conditioned increase in specific weight of ODC reserves as compared with the growth rate of money in circulation, consequently the structure of the monetary base as of the end of October 2015 is as follows:

- the share of money in circulation amounted to 86.0 percent;
- the share of reserves of other depository corporations amounted to 14.0 percent.

In the structure of ODC reserves, obligatory reserves increased by 13.9 percent from the beginning of the year and amounted to 7,620.6 million KGS, excess reserves (after sterilization) increased by 163.3 percent, to 1,853.9 million KGS (in January-October of 2014, obligatory reserves increased by 12.1 percent, while excess reserves – by 82.3 percent)

Increase in the monetary base was conditioned by transactions of the Government, which increased it by 12.2 billion KGS from the beginning of the year. On the contrary, the National Bank transactions reduced the monetary base by 9.0 billion KGS.

In January-October of 2015, the monetary base was mainly influenced by the following transactions of NBKR:

- currency interventions decreased the monetary base by 11.5 billion KGS;
- credit auctions – gross value of funds issued in January-October amounted to 1.5 billion KGS;
- purchase of gold at the domestic market – by 0.5 billion KGS.

In January-October, the NBKR also conducted sterilization transactions (transactions at the open market and “overnight” deposits), which average daily volume amounted to 2.4 billion KGS.

In January-October of 2015, the net foreign assets (NFA) increased by 15.0 percent (or by 15,703.8 million KGS) mainly due to increase of net international reserves (NIR) by 15, 959.3 million KGS. Increase in NIR was mainly caused by cash inflow from development of gold-ore deposits as well as from credits and grants for the state budget support.

In January-October of 2015, gross international reserves in dollar terms decreased by 65.6 million USD and amounted to 1,893.0 million USD.

Net domestic assets (NDA) decreased by 31.2 percent or by 12,592.6 million KGS in January-October of 2015 (they increased by 44.3 percent within the same period of last year). A decrease in NDA was mainly caused by the decrease of sundries accounts by 5,107.5 million KGS, increase in liabilities to other financial institutions related to transactions of the Russian-Kyrgyz Development Fund at the rate of 5,052.7 million KGS and increase in capital accounts by 1,227.9 million KGS, which is related to revaluation of assets in foreign currency and gold due to change in currency rates and price of precious metals. An increase in NDA was caused by increase of liabilities under the KR Government accounts by 292.6 million KGS.

¹ Food products and electric energy, gas, other types of fuel shall be completely excluded from the total inflation

Change in monetary aggregates

Monetary aggregate M2, which consists of money out of banks and deposits in the national currency², decreased by 0.5 percent in January-October of 2015 and made 81,981.5 million KGS (in January-October of 2014 – by 7.2 percent)

Broad money supply M2X decreased by 11.7 percent in January-October of 2015 and made 139,069.7 million KGS, which is mainly conditioned by increase of ODC deposits by 18.1 percent, to 85,815.0 million KGS (M2X increased by 4.3 percent in January-October of 2014).

The structure of M2X money supply is as follows:

- the share of money out of banks – 38.3 percent (as of November 1, 2014 – 44.6 percent);
- the share of deposits in national currency – 20.7 percent (as of November 1, 2014 – 22.4 percent);
- the share of deposits in foreign currency – 41.1 percent (as of November 1, 2014 – 33.0 percent).

Deposits in foreign currency increased by 35.4 percent and made 57,088.2 million KGS, without regard to the impact of exchange rate– by 15.2 percent, deposits in national currency decreased by 5.8 percent, to 28,726.7 million KGS. As a result, total volume of deposits in January-October of 2015 increased by 18.1 percent and made 85,815.0 million KGS (in January-October of 2014 – by 18.4 percent).

As of the end of October 2015, the level of dollarization of deposits to be included in M2X amounted to 66.5 percent, having increased by 8.5 percentage points as compared to the level at the beginning of the current year.

*Credit into economy*³ in January-October of 2015 increased by 15.2 percent and made 94, 636.4 million KGS, without regard to the impact of exchange rate it increased by 5.5 percent (in January-October of 2014, the credit into economy increased by 38.2 and 27.6 percent, respectively).

In January-October of 2015, net foreign assets of the banking system increased by 19,319.0 million KGS (by 17.8 percent) and made 127,908.5 million KGS (by 2.9 percent in similar period of last year).

As of the end of October 2015, net domestic assets (NDA) of the banking system amounted to 11,161.2 million KGS, having increased by 4,793.6 million KGS or by 30.0 percent (it increased by 14.0 percent in similar period of last year).

As of the end of October 2015, the discount rate was set at the level of 10.0 percent consistent with the decision of the Board of NBKR (no change as compared to the level as of the end of September 2015). In this connection, upper and lower bounds of the interest rate passage on “overnight” credits and deposits were set at the level of 12.00 and 4.00 percent respectively (without changes).

As of the end of October 2015, the yield on 7-day notes amounted to 10.00 percent. Average weighted rate on repurchase transactions at the interbank credit market was below the discount rate in October and made 8.87 percent.

As of November 1, 2015, the multiplier of M2X broad money, which characterizes the degree of financial intermediation, amounted to 2.058, the multiplier of M2 – 1.213 (as of November 1, 2014 – 1.853 and 1.241, respectively).

As of the end of October, coefficient of the economy monetization, calculated based on the M2X monetary aggregate, amounted to 29.88 percent, calculated based on the M2 monetary aggregate – 18.7 percent (as of the end of October 2014 – 31.21 and 22.47 percent, respectively).

Velocity of money circulation

Outstripping growth rates of the Nominal GDP as compared to the rate of increase of the money supply volume in economy conditioned acceleration of money circulation velocity by 0.09 as

² Deposits of individuals and legal entities, and other financial-credit institutions except for deposits of the Government and non-residents

³ Loans to individuals and legal entities, and other financial-credit institutions except for loans to the Government and non-residents

compared to the level at the beginning of the current year and the circulation velocity made 3.35 (under M2X).

Within January-October of 2015, receipt of cash in the cash office of the National Bank amounted to 49,530.9 million KGS, in comparison with the corresponding period of 2014, the amount decreased by 12,921.3 million KGS, or 20.7 percent, issuances decreased by 5,426.3 million KGS, or 9.7 percent, and amounted to 50,558.6 million KGS.

In January-October of 2015, receipt of cash in cash offices of commercial banks amounted to 841,244.0 million KGS; in comparison with the corresponding period of the previous year, the amount increased by 16,702.1 million KGS, or 2.0 percent, issuances increased by 22,279.4 million KGS, or 2.7 percent, and amounted to 844,722.2 million KGS.

In January-October of 2015, the level of financial risks in the payment system was kept to a minimum. A turnover ratio at the end of October amounted to 0.39, a liquidity ratio – 2.57.