

National Bank of the Kyrgyz Republic

Inflation Report

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Inflation Report

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Other Publications of the National Bank of the Kyrgyz Republic

Annual Report of the National Bank of the Kyrgyz Republic

This publication is a last year statement of the National Bank of the Kyrgyz Republic (NBKR). It contains brief information about the country's economic development and monetary policy, financial statements of the NBKR, general information about the NBKR, and statistic annexes. It is published in Kyrgyz, Russian and English languages.

Bulletin of the National Bank of the Kyrgyz Republic

This monthly publication contains statistic data for major macroeconomic indicators and sectors of economy of the Kyrgyz Republic. It is published in Kyrgyz, Russian and English languages.

Balance of Payments of the Kyrgyz Republic

Balance of Payments of the Kyrgyz Republic reflects trends of external sector development, data of the payment balance, foreign trade, international reserves, external debt, and international investment position of the Kyrgyz Republic. It is published on quarterly basis in January, May, July, and October in Kyrgyz, Russian and English languages.

Banking System Development Trends

This publication provides an analysis and assessment of the development of Kyrgyz banking system as a financial intermediary, and components of its stability. It is published semiannually in Kyrgyz, Russian and English languages.

Statutory Acts of the National Bank of the Kyrgyz Republic

The objective of this document is to officially publish the statutory acts of the NBKR in order to provide commercial banks and general public with regulatory documents and information about NBKR activities, and to popularize the banking legislation of the Kyrgyz Republic. It is published, as a rule, once a month in Kyrgyz and Russian languages.

Press Release of the National Bank of the Kyrgyz Republic

Press Release of the NBKR contains the description of events related to the National Bank and banking system, major financial market data for the week and other information for mass media, legal entities and individuals. It is published on a weekly basis in Kyrgyz and Russian languages.

CONTENT

CHAPTER 1. ECONOMIC STATUS OF THE KYRGYZ REPUBLIC.....	5
1.1. Demand and Supply in the Commodity and Service Market.....	5
1.1.1. Demand.....	5
1.1.2. Supply.....	9
1.2. Trends in Monetary Sphere.....	11
1.3. External Economic Conditions.....	15
1.4. Exchange Rate.....	18
CHAPTER 2. INFLATION AND ITS COMPONENTS.....	20
2.1. Analysis of the Consumer Price Index Dynamics.....	20
2.1.1. Dynamics of Prices for Food Products	20
2.1.2. Dynamics of Prices for Non-Foods.....	22
2.1.3. Dynamics of Prices for Services.....	23
2.1.4. Consumer Price Dynamics in Regions.....	23
2.2. Core Inflation.....	24
CHAPTER 3. MONETARY POLICY DECISIONS OF THE NATIONAL BANK OF THE KYRGYZ REPUBLIC.....	26
3.1. Major Decisions of the NBKR Board.....	26
3.2. Major Decisions of the Monetary Policy Committee.....	26
CHAPTER 4. INFLATION FORECAST.....	28
4.1. Forecast of Key Inflation Factors Dynamics.....	28
4.2. Inflation Forecast for 2011 and the First Quarter of 2011.....	29
STATISTICAL ANNEX.....	32
GLOSSARY.....	38
ABBREVIATIONS.....	41

Chapter 1. Economic Status of the Kyrgyz Republic

1.1. Demand and Supply in the Commodity and Service Market

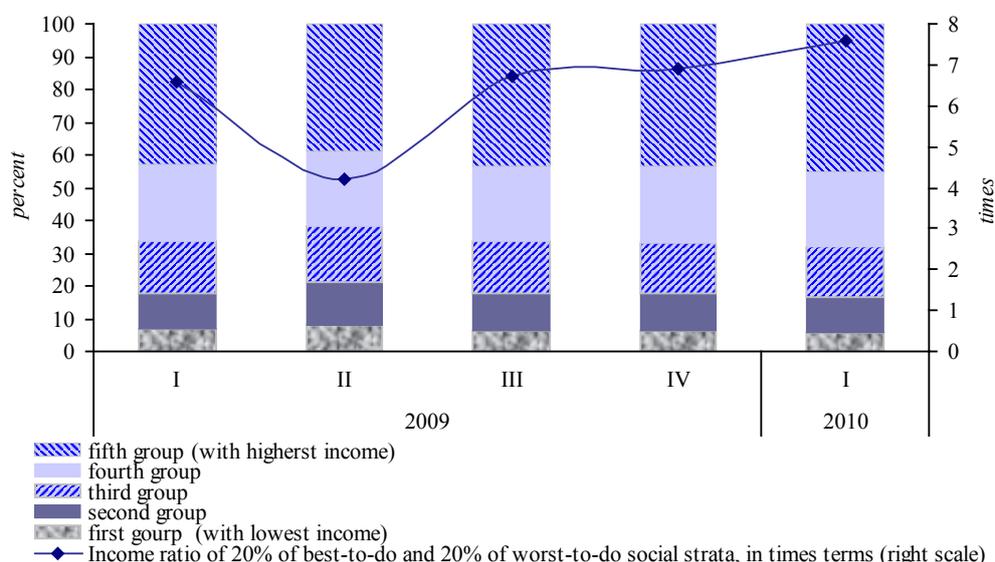
1.1.1. Demand

According to the preliminary data for 2010, the GDP volume in current prices decreased by 1.4 percent against the comparable indicator of 2009 to make Som 212.2 bln (as specified in the NSC KR report, GDP growth was revised and adjusted from 2.3 percent up to 2.9 percent for 2009). Exclusively of enterprises engaged in developing of the gold ore field *Kumtor*, GDP volume decreased by 2.1 percent in January to December 2010 (3.4 percent growth in 2009). In 2010, GDP deflator made 6.9 percent against 4.0 percent in 2009.

In January-November 2010¹ real growth of salary, pursuant to the preliminary data, made 6.2 percent against 7.8 percent for the comparable period of 2009.

The differences of personal income have still remained high. Distribution of the overall amount of income among five groups of the population was in favor of the well-to-do groups. For instance, in the first quarter of 2010, income share of the best-to-do group accounted for 45.0 percent of the overall volume of personal income, thus having increased by 2.0 p.p. against the comparable indicator of 2009. The income share of 20 percent of the worst-to-do population decreased by 0.7 p.p. to make 5.9 percent.

Fig.1.1.1. Structure of Personal Monetary Income by Quintile Groups
(year-to-date)



According to the preliminary data for 2010, there was a considerable increase in remittances through money transfer systems. The overall volume of net inflow increased by 23.6 percent in 2010, whereas in 2009 remittances decreased by 21.5 percent as compared to 2008. A major share of remittances came from the

¹ Hereinafter, the reference to earlier periods was conditioned by the lack of data for January-December 2010.

CIS countries (92.9 percent from Russia, 2.8 percent from Kazakhstan); the far-abroad countries' remittances accounted for 4.2 percent of the overall volume of individual transfers.

Table 1.1.1. Individual Remittances through Money Transfer Systems*
(*mln, US dollars*)

	2006	2007	2008	2009	2010**
Balance	430.3	625.5	1 138.2	893.2	1 103.6
Inflow	470.0	688.2	1 205.5	966.7	1 229.4
CIS countries	436.7	648.8	1 141.4	894.4	1 177.4
Kazakhstan	0.0	7.0	27.9	31.4	35.0
Russia	436.6	641.8	1 113.5	862.9	1 142.3
Others	0.0	0.0	0.1	0.0	0.1
Far-abroad countries	33.4	39.4	64.1	72.3	52.0
Belgium	0.0	0.1	0.5	0.5	0.2
Great Britain	0.9	0.9	1.8	1.4	1.4
Germany	0.0	0.1	0.2	0.7	9.9
USA	32.2	38.3	61.4	69.5	40.4
Others	0.1	0.0	0.2	0.3	0.1
Outflow	39.7	62.7	67.3	73.6	125.9
CIS countries	38.5	60.2	65.0	71.8	124.1
Kazakhstan	0.0	0.2	2.5	0.7	0.4
Russia	38.4	60.0	62.5	71.1	123.6
Others	0.0	0.0	0.0	0.0	0.0
Far-abroad countries	1.2	2.5	2.3	1.8	1.8
Belgium	0.0	0.1	0.1	0.2	0.5
Germany	0.0	0.2	0.4	0.4	0.3
USA	1.1	2.1	1.7	1.1	0.9
Others	0.1	0.1	0.1	0.1	0.2

* Anelik, Blizko, Contact, Migom, MoneyGram, Western Union, Unistream, Zolotaya Korona, Lider, Bystraya Pochta, Allyur and other money transfer systems and money transfers through the PE Kyrgyzpochtasy.

** preliminary data.

There was a deterioration in the state budget balance. According to the preliminary data of the Central Treasury of the Ministry of Finance, state budget deficit amounted to Som 10.8 bln in 2010, or 5.1 percent to GDP (in the comparable period of 2009, the national budget deficit made Som 2.9 bln, or 1.5 percent to GDP).

In 2010, as well as in the previous periods, an uneven accumulation of expenditures of the state budget was observed by the end of the year; this brought additional inflationary pressure on economy.

The overall state budget's expenditures for operational activity amounted to Som 61.6 bln., or 29.0 percent to GDP, thus, having increased by Som 11.5 bln or by 4.2 p.p. to GDP as compared to the similar indicator for 2009. Budget expenditures for current consumption tend to increase. For instance, salary expenditures and contributions to the Social Fund of the Kyrgyz Republic as well as for social allowance accounted for 51.6 percent of the overall volume of government expenditures for operational activity in 2010, thus, having increased by 3.7 p.p. as compared to the same indicator for 2009.

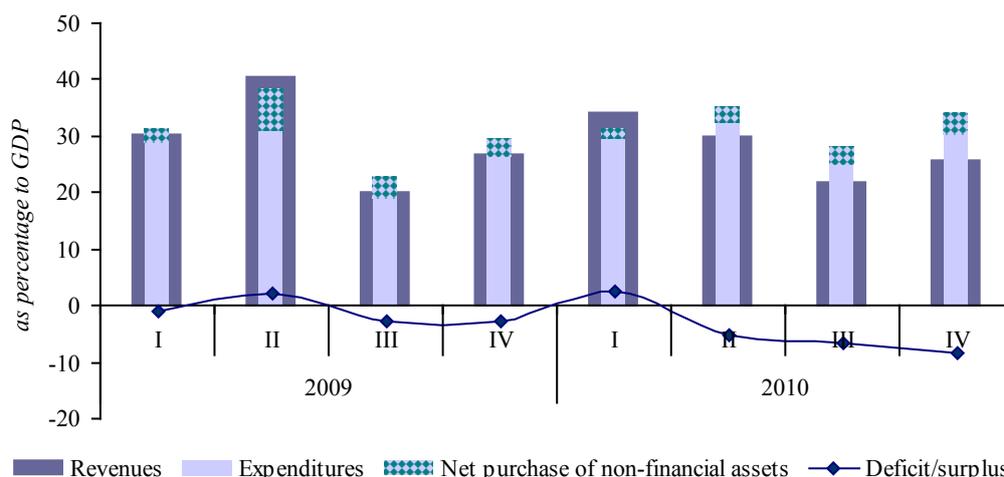
In the reporting period, net outflow of cash assets amounted to Som 6.6 bln for

non-financial assets acquisition operations, which constituted Som 1.6 bln. or 20.0 percent decrease against the comparable indicator of 2009.

Incomes and received official transfers of the state budget increased by 3.7 percent against the comparable indicator of 2009 and made Som 57.4 bln or 27.0 percent to GDP. Herewith, tax and non-tax revenues contributed 9.4 p.p. to the growth of state budget revenues raised from operational activity, whereas the contribution of official transfers was negative and made (-)5.7 p.p.

Fig.1.1.2. State budget implementation

(for the period)



According to the preliminary data for 2010, the volume of investment to the fixed capital decreased by 9.8 percent in real terms as compared to similar indicator of 2009 and amounted to Som 44,079.7 bln in nominal terms, while for 2009 this indicator increased by 30.8 percent. The decrease in the volume of investment to the fixed capital in 2010 was conditioned by a decrease in assimilated funds in the entities of processing industry, production, distribution of electric power, gas and water as well as in the sector of hotels and restaurants construction.

Table 1.1.2. Investment to the Fixed Capital in terms of Sources of Financing

	mln soms, at current prices		real growth, as percentage to the previous period	
	2009	2010	2009	2010
Total	42 496.9	44 079.7	130.8	90.2
Internal investments	29 989.5	33 760.8	143.5	97.7
Republican budget (including funds intended for emergencies)	5 569.3	3 202.4	159.6	48.6
Local budget	878.5	646.8	153.1	64.0
Funds of enterprises and organizations	7 969.3	16 001.7	104.3	170.0
Bank credit	2 490.8	3 093.6	918.6	113.7
Personal funds	13 081.2	10 805.6	147.2	83.5
Beneficent help	0.4	10.7	-	in 23.3 times
External Investments	12 507.4	10 318.9	107.8	72.1
Foreign credit	7 436.1	5 536.6	178.8	65.3
Direct foreign investments	3 937.3	3 228.3	62.7	71.7
Foreign grants and humanitarian aid	1 134.0	1 554.0	98.3	118.0

Source: NSC

In the structure of financing sources for the fixed capital formation, there was marked a 2.3 percent decrease in real volume of investment from the internal sources and a 27.9 percent decrease from the external sources against to the comparable indicators of 2009. Fixed capital formation due to personal funds decreased by 26.5 percent, which was mainly conditioned by a decrease in the volumes of individual construction and in investments to individual entrepreneurship activity. The investment volume out of the funds of enterprises and organizations increased by 70.0 percent in real terms in 2010 (investments out of the funds of enterprises engaged in developing the gold ore field *Kumtor*).

In terms of sectoral structure of fixed capital formation, the largest share in 2010 fell within the mining industry sectors (27.4 percent) (investments to the enterprises engaged in developing the gold ore field *Kumtor*) and transport and communication (16.9 percent) (construction and reconstruction of motor roads: Bishkek-Naryn-Torugart, Osh-Sarytash-Irkeshtam, Taraz-Talas-Suusamy, Osh-Isfana, Osh-Irkeshtam, South Transport Corridor, Tyup-Kegen, roads rehabilitation under the Project on Improvement of Regional Road Corridor) as well as production and distribution of electric power, gas and water (11.00 percent) (HEP *Kambar-Ata-2*).

The volume of commercial banks' credit portfolio increased by 4.6 percent as compared to the beginning of the current year (in 2009 it decreased by 1.5 percent) and made Som 26.4 bln. Among them, the credits in the national currency increased by 22.2 percent, up to Som 11.7 bln, while foreign currency credits decreased by 6.1 percent to make Som 14.7 bln (without regard to a change in US dollar rate the decrease made 11.8 percent).

Table 1.1.3. Sectoral Structure of Commercial Banks' Credit Portfolio

	2009		2010	
	total, <i>mln soms</i>	growth rate, <i>percent</i>	total, <i>mln soms</i>	growth rate, <i>percent</i>
Trade and commercial transactions	10 457.7	113.2	11 336.8	108.4
Agriculture	3 084.3	105.1	3 349.7	108.6
Mortgage	3 087.9	85.9	2 852.6	92.4
Construction	1 950.3	80.2	2 038.6	104.5
Consumer credits	2 028.0	95.7	1 882.5	92.8
Industry	1 388.8	94.8	1 480.7	106.6
Others	3 217.4	84.0	3 441.2	107.0
Credit portfolio	25 214.3	98.5	26 382.1	104.6

Major portion of banks' credits was concentrated in trade. The volume of such credits increased by 8.4 percent during 2010, while their share increased by 1.5 p.p. Another sector that was intensively credited by banks was the sector of agriculture; the volume of credits in this sector increased by 8.6 percent, and their share in commercial banks' credit portfolio increased from 12.2 percent to 12.7 percent. The shares of the other branches of economy receiving credit financing decreased: from 12.2 to 10.8 percent for mortgage and from 8.0 to 7.1 percent for consumer credits. Credits to the sectors of transport, communication,

procurement and processing, social services and to other sectors cumulatively accounted for 13.0 percent.

Fig.1.1.3. Sectoral Structure of Commercial Banks' Credit Portfolio
(as of the end of the period)



1.1.2. Supply

A growth of the overall production in such sectors of economy as processing industry, production and distribution of electric power, gas and water as well as transport and communication compensated a considerable recession in agriculture, construction and trade, thus, having insured a decrease of GDP volume only by 1.4 percent. In 2010 the structure of economy developed as follows: agriculture – 18.5 percent of the overall GDP volume, trade – 16.3 percent, processing industry – 15.9 percent, and transport and communication – 9.1 percent.

Table 1.1.4. Contribution of Individual Activities to GDP Increase/Decrease

	2009		2010	
	growth rate, percent	contr. to growth, p.p.	growth rate, percent	contr. to growth, p.p.
Gross domestic product	2.9	2.9	-1.4	-1.4
Gross value added	2.9	2.5	-1.4	-1.2
Agriculture, hunt and forestry	6.7	1.6	-2.8	-0.5
Mining industry	7.7	0.0	-0.4	0.0
Processing industry	-9.3	-1.2	10.1	1.4
Production and distribution of e/energy, gas and water	-2.6	0.0	11.0	0.2
Construction	22.1	1.2	-22.8	-1.5
Trade, repairs	2.3	0.4	-6.4	-1.1
Hotels and restaurants	4.2	0.1	-9.6	-0.1
Transport and communication	5.1	0.4	2.5	0.2
Financial activity	6.0	0.0	0.9	0.0
Real estate operations, lease	1.1	0.0	-0.1	0.0
State management	2.5	0.1	2.2	0.1
Education	1.4	0.1	0.6	0.0
Healthcare and provision of social services	-0.3	0.0	0.8	0.0
Provision of the public utility and personal services	-6.3	-0.1	-0.4	0.0
Net taxes for products	2.9	0.4	-1.4	-0.2

Source: NSC

According to the preliminary data for 2010, the industrial output increased by 9.8 percent against the comparable indicator for 2009; exclusively of the enterprises engaged in developing the gold ore field *Kumtor*, the growth of industrial output made 11.7 percent. In 2009 the industrial output decline reached 8.1 percent, and 10.1 percent without regard to the *Kumtor*. In many aspects, the growth of industrial output developed in 2010 was conditioned by the low base effect in 2009.

The greatest contribution to the growth of industrial output was made by the sector of processing industry, which increased by 10.1 percent according to the preliminary data for 2010. The export-oriented sectors of processing industry mostly contributed to this increase: metallurgic production and manufacture of final metal goods (106.7 percent increase), production of other non-metallic mineral products (139.8 percent), textile and clothing manufacture (143.3 percent).

In 2010, the food production, including drinks and tobacco, decreased by 2.2 percent as compared to the same indicator for 2009, while the food production increased by 10.6 percent in 2009. According to the preliminary data for 2010, in terms of the food production there was marked a 12.2 percent decrease in flour production and a 13.1 percent decrease in bread production against a 27.8 percent and a 44.8 percent increase of similar indicators, correspondingly, in 2009. At the same time, as compared to the similar indicators for 2009, there was an increase in production of meat (by 2.3 percent), sausage products (by 4.4 percent), milk (by 23.5 percent) as well as pasta, noodles and flour products (by 42.4 percent),

The decrease in the share of agriculture in the total GDP structure tends to continue: from 18.8 percent in 2009 down to 18.5 percent in 2010, according to the preliminary data for 2010. In January-December 2010 there was a 2.8 percent decrease in the volume of output in agriculture against the comparable period of 2009, whereas in 2009 the volume of agricultural output increased by 6.7 percent. Average capacity of cereal crops made 26.9 centner per hectare (according to the weight initially taken on charge) throughout the country in 2010.

According to the preliminary data for 2010, the trade turnover decreased by 6.8 percent against the comparable indicator for 2009 (in 2009 the growth of trade turnover made 0.1 percent). In January to December 2010 a decline in trade made additional contribution to GDP decrease by (-) 1.1 p.p.

Table 1.1.5. Dynamic and Structure of the Gross Turnover of Trade Transactions

	2009		2010	
	share, percent	growth rate, percent	share, percent	growth rate, percent
Trade	100.0	100.1	100.0	93.2
Sales of auto and moto machinery and details	3.6	97.7	3.0	83.0
Maintenance and repairs of auto	0.6	110.3	0.5	87.3
Retail sales of motor-fuel	7.2	120.2	9.6	97.7
Wholesale	34.1	94.5	32.6	91.4
Retail sale	54.3	101.0	53.9	94.5
Repair of household goods	0.2	73.6	0.2	84.9

Source: NSC

1.2. Trends in Monetary Sphere¹

Monetary Base

As of January 1, 2011, the monetary base increased by 10.2 percent in the fourth quarter of 2010 (in the fourth quarter of 2009 the increase in monetary base amounted to 13.3 percent) to make Som 48.6 bln. As a whole for 2010 the monetary base increased by 18.4 percent.

In the fourth quarter of 2010 a change in monetary base (+ Som 4.5 bln) was influenced by the Government's operations that increased the monetary base by Som 6.1 bln, whereas the National Bank's operations decreased the monetary base by Som 1.6 bln. For reference: in the fourth quarter of 2009 the increase in monetary base made Som 4.8 bln; herewith, the contribution to the increase of monetary base on the part of the Government made Som 4.9 bln, while the National Bank's operations decreased the monetary base by Som 0.1 bln.

As of January 1, 2011, money in circulation increased by 8.2 percent in the fourth quarter of 2010 (in the fourth quarter of 2009 the increase made 14.9 percent) to make Som 43.3 bln. The increase in money in circulation made 21.1 percent for 2010.

In the fourth quarter of 2010 there was a decrease in cash in circulation in the structure of monetary base from 90.7 down to 89.1 percent, correspondingly, as of the end of December 2010; the share of funds in the correspondent accounts of commercial banks held with the National Bank decreased from 10.9 to 9.3 percent.

Aggregate M2

As of January 1, 2011, the money stock M2 increased by 8.8 percent in the fourth quarter of 2010 (in the fourth quarter of 2009 the increase of M2 made 14.4 percent) to make Som 53.7 bln. The components of monetary aggregate M2 also increased: 8.0 percent increase for money in hands (M0), 11.6 percent increase for deposits in the national currency, including transferrable deposits (on demand deposits) that increased by 11.7 percent and other deposits (time deposits) that increased by 11.4 percent.

As a whole for 2010 the growth of the money stock M2 made 23.6 percent.

Aggregate M2X

The volume of broad money M2X comprising deposits in foreign currency made Som 69.2 bln as of January 1, 2011, thus, having increased by 10.0 percent in the fourth quarter of 2010 (in the comparable period of 2009 the M2X increase made 15.3 percent). The components of broad money M2X increased as well: 8.0 percent increase in cash in hands (M0) and 13.1 percent increase in the overall volume of deposits². In the fourth quarter of 2010 the deposits in foreign currency

¹ Statistics described herein includes OJSC AUB data.

² According to analytical balance, the banking system includes individual and legal entities' deposits as well as deposits of other financial institutions save for the Government's and non-residents' deposits.

increased by 14.3 percent, while the deposits in the national currency increased by 11.6 percent (in the fourth quarter of 2009 the overall volume of deposits increased by 15.7 percent, while money in hands increased by 15.1 percent).

As a whole for 2010 the broad money stock M2X increased by 21.1 percent.

In the fourth quarter of 2010 the structure of money stock M2X changed as compared to the third quarter as follows:

- the share of cash in hands decreased from 61.0 down to 59.9 percent;
- the share of deposits in the national currency increased from 17.5 to 17.7 percent;
- the share of deposits in foreign currency increased from 21.5 to 22.3 percent.

The multiplier of broad money M2X that characterizes a degree of financial intermediation decreased from 1.426 as of the end of September 2010 down to 1.424 as of the end of December 2010 (1.391 as of the end of December 2009).

Velocity of broad money M2X circulation remained the same in the fourth quarter of 2010 and made 3.6 as of the end of December (4.2 as of the end of December 2009). At the same time, the reverse indicator of circulation velocity – monetization coefficient of economy calculated based on monetary aggregate M2X – increased inconsiderably from 27.4 percent as of the end of September up to 27.9 percent as of the end of December (24.0 percent as of the end of December 2009).

Fig.1.2.1. Annual Nominal Growth Rates of Monetary Aggregates

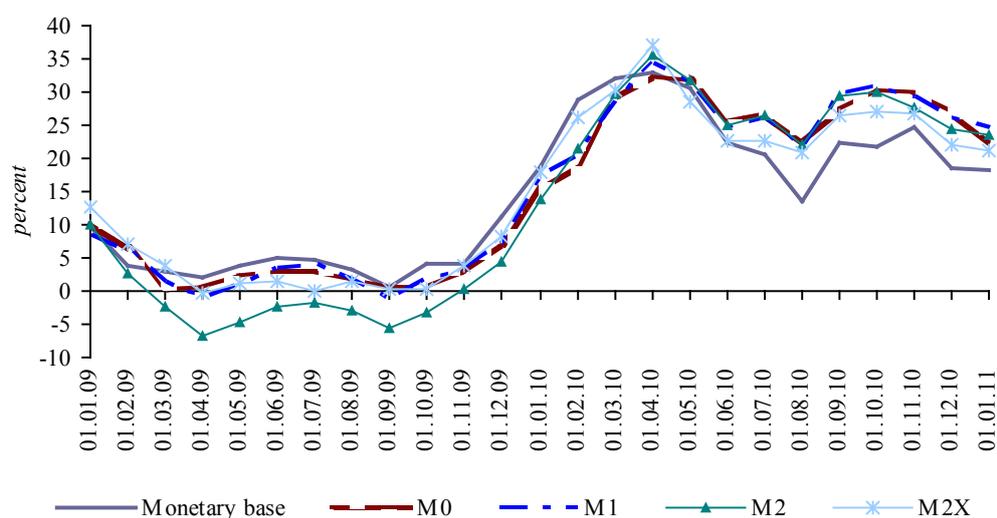
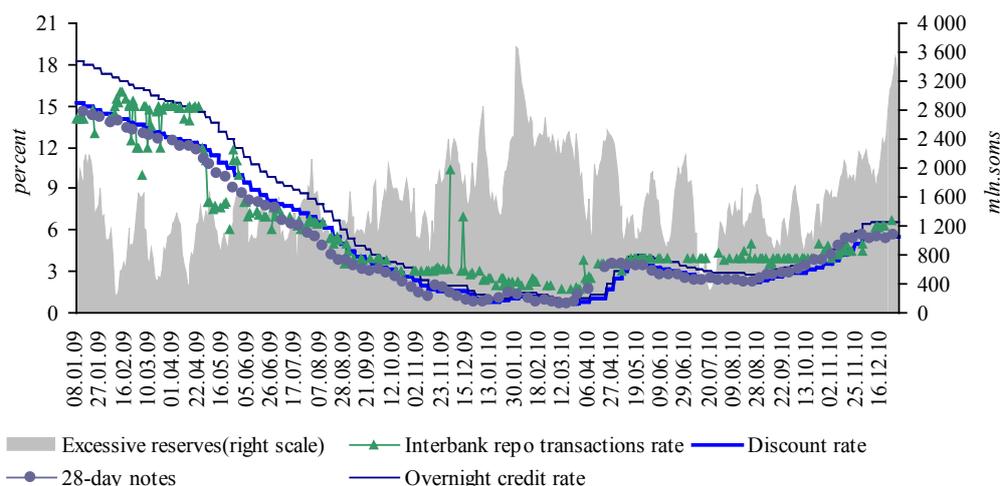
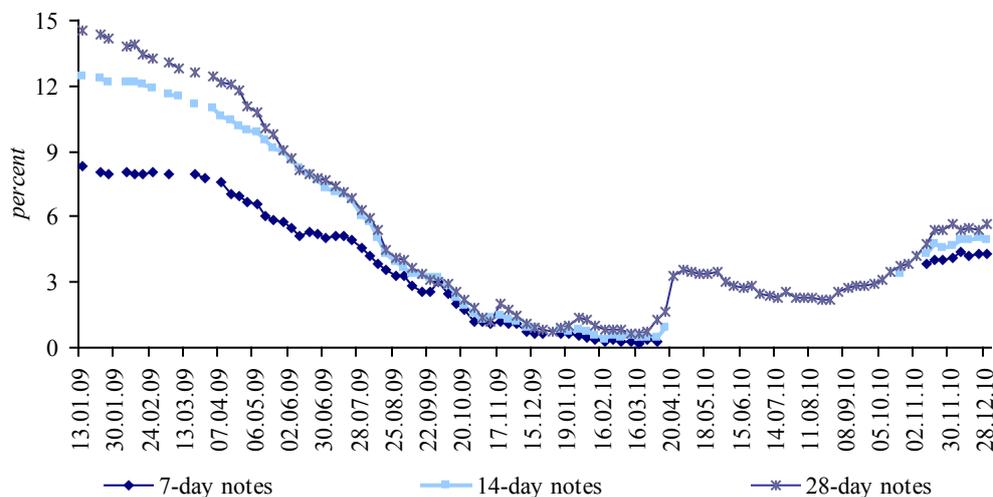


Fig. 1.2.2. Dynamics of Monetary Market Rates



Applying the NBKR notes as an instrument for withdrawal of excessive liquidity, the National Bank continued increasing the volumes of its notes emission starting to distribute the 7- and 14-day NBKR notes. Thus, the volume of weekly supply of the NBKR notes increased from Som 88.4 mln to Som 303.2 mln. Moreover, during the quarter there was a further distribution of notes outside the auctions in the amount of Som 122.0 mln. In its turn, the demand for notes was increasing slower than their supply; while the declared emission volume at the auctions considerably exceeded the volumes of requests lodged – this impacted an increase in their level of yield. For instance, on the average for the quarter, the overall weighted average yield of the NBKR notes made 4.4 percent, thus, having increased by 2.0 p.p. as compared to the third quarter of 2010. Among them, the yield accounted for 4.2 percent in the 7-day notes segment; 4.3 percent in the 14-day notes segment; and 4.8 percent in the 28-day notes segment, having increased by 2.4 p.p. As compared to the analogous quarter of 2009, the yield of the 7-day notes increased by 2.9 p.p., that of the 14-day notes increased by 2.8 p.p., and the yield of the 28-day notes increased by 3.2 p.p.

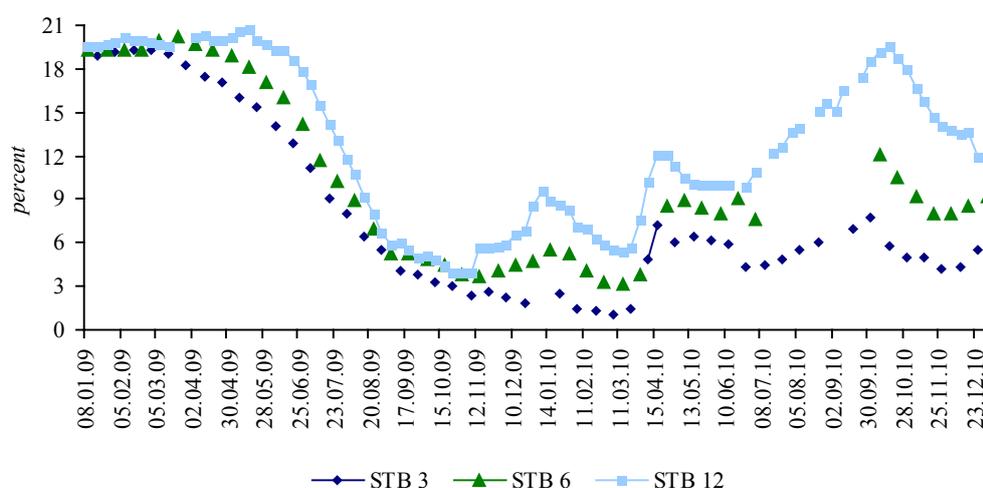
Fig. 1.2.3. Dynamic of the NBKR Notes Yield



A discount rate specified as the averaged value of the NBKR 28-day notes' yield developed at the last four auctions made 5.5 percent as of the end of the year. The rate for overnight credits amounted to 6.6 percent. In the reporting quarter, the National Bank issued overnight credits to the commercial banks for the total amount of Som 498.0 mln applying average rate of 5.1 percent.

In the ST-Bonds primary market, the Ministry of Finance remained the volumes of placed 3- and 6-month ST-Bonds unchanged, having decreased the supply of 12-month ST-Bonds. Herewith, the demand on the part of investors increased, and this influenced a gradual decrease of yield in all segments of ST-Bonds market. ST-Bonds overall weighted average yield decreased by 0.2 p.p. as compared to similar indicator of the previous quarter and amounted to 13.0 percent for the reporting period. The yield of 3-month ST- Bonds decreased by 0.8 p.p. to make 5.1 percent, and that of the 6-month ST- Bonds increased by 1.8 p.p. up to 9.4 percent that was connected with acknowledging many auctions as failed in the previous quarter. In segment of the 12-month ST- Bonds the yield increased as well (by 1.1 p.p.) up to 15.9 percent – this was conditioned by a significant increase in its value in October. The overall level of yield increased by 8.0 p.p. in the correspondent quarter of 2009.

Fig. 1.2.4. Dynamic of ST- Bonds Yield



In the fourth quarter of 2010 only one auction was held for ST-bills due to lack of demand on the part of investors; ST-Bills were placed at this auction for the amount of Som 10.2 mln., and yield made 18.9 percent against its average value of 18.7 percent in the previous quarter.

The value of interbank credits in the national currency was growing due to an increase in the yield in the NBKR note market and, correspondingly, in the NBKR interest rate. On the average for the reporting quarter, the rate in the segment of repo-transactions increased by 1.0 p.p. against the comparable indicator for the previous quarter to make 5.0 percent. The value of interbank credits in the national currency increased by 1.2 p.p. to 5.1 percent. As compared to the fourth quarter of 2009, the average interest rate increased by 2.0 p.p. for repo-transactions,

whereas in the segment of interbank credits in the national currency it increased by 3.2. p.p.

In the segment of operations performed in foreign currency, one transaction was concluded at the rate of 3.0 percent in the internal interbank credit market during the reporting quarter.

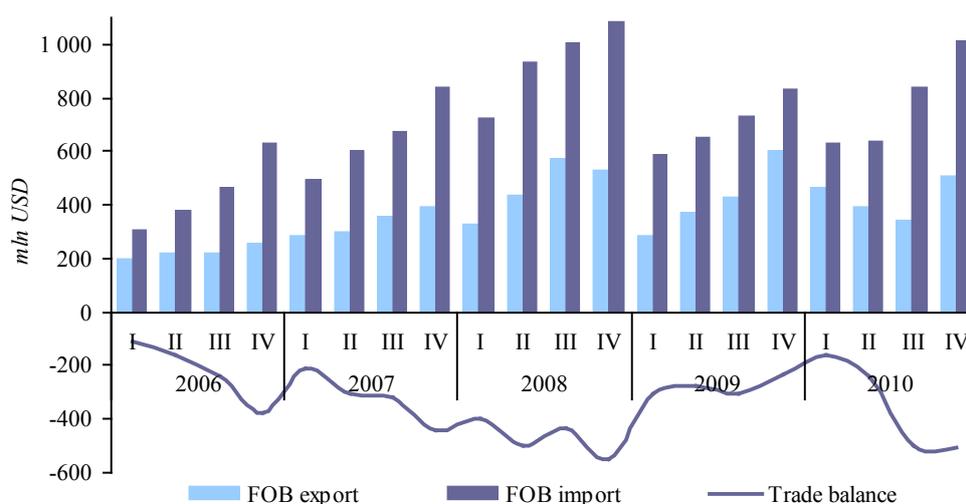
1.3. External Economic Conditions

Trade Balance¹

According to the preliminary data, the deficit of trade balance of the Kyrgyz Republic increased by 2.2 times against the indicator for the fourth quarter of 2009 and made USD 502.8 mln in the fourth quarter of 2010.

Foreign trade turnover increased by 6.1 percent in the reporting period against the comparable period of 2009 to make USD 1,524.1 mln. Kyrgyzstan's trade relationships more actively developed with the CIS countries; the foreign trade turnover with these countries increased by 14.8 percent, whereas that with far-abroad countries decreased by 1.4 percent.

Fig. 1.3.1. Foreign Trade



Exports of goods (at FOB prices) decreased by 15.2 percent against the fourth quarter of 2009 and amounted to USD 510.7 mln in the fourth quarter of 2010. The existing trend was conditioned by a 22.8 percent (or by USD 86.6 mln) decrease in exports to far-abroad countries and a 2.1 percent decrease (or by USD 4.6 mln) to the CIS countries.

In the reporting period shares of basic groups of export goods² developed as follows: intermediate goods accounted for 60.6 percent of the total exports volume, consumer goods accounted for 24.0 percent, energy products accounted for 6.0 percent, and raw stock accounted for 6.0 percent.

¹ According to NSC KR and SCS KR, with regard to final evaluations of NBKR, unless otherwise is provided for.

² Hereinafter according to NSC KR and SCS KR, without regard to NBKR final evaluations.

The item 'intermediate goods', which volume made USD 258.1 million, continued to be the largest functional item of export in the fourth quarter of 2010 despite it decreased by 8.3 percent. Gold has traditionally been the main component of this article; its export volumes decreased by 14.9 percent down to USD 209.0 mln. The reduction of gold supplies was explained by a 29.3 percent decrease in physical volume of export as a result of decline of this precious metal production.

Exports of consumer goods increased by 36.2 percent to make USD 102.4 mln. The major contribution to the increase of exports within this article was made by the supplies of food products, which volume increased by 50.0 percent or by USD 20.1 mln. Primarily, this related to a 7.7 times increase (USD 10.8 mln.) in rice exports, which was conditioned by a considerable rise in export price under a decrease in physical volume of supplies. Besides, there was a rise in exports for such commodity headings as vegetables (by 26.0 percent or by USD 4.5 mln.), due to an increase in physical volume under a drop in export prices, and cereal products (by 3.3 times or by USD 2.1 mln.) due to a considerable rise in prices.

In the non-foods structure the exports growth was observed for such commodity headings as automobiles (by 4.4. times or by USD 2.6 mln) mainly due to a rise in price; plastic articles (by 87.2 or by USD 0.5 mln). At the same time, there was marked a decrease in exports of clothes and clothes accessories (by 5.6 percent or by USD 1.1 mln) and telephone receivers (by 69.9 percent or by USD 1.1 mln) mainly due to a decrease in physical volume.

Energy products exports decreased by 54.9 percent in the fourth quarter and made USD 25.5 mln. In the main commodity classification of energy products' exports the greatest decrease was marked for re-export of jet fuel (by 70.9 percent or by USD 26.0 mln) as a result of a decrease in its demand on the part of other countries, in particular, of Uzbekistan, as a consequence of rise in prices. Besides, despite the growth of physical volume, the decrease in export price led to a 52.8 percent decrease in the volume of electric energy exports or by USD 12.0 mln.

Raw stock exports decreased by 72.2 percent and made USD 25.8 mln. The specific weight of this category decreased sharply by 12.1 percentage points in the overall volume of exports to make 6.0 percent. This is explained by an 84.5 percent decrease in physical volume of supplies of non-organic chemical substance, which in value terms resulted in a decrease of USD 69.2 mln. This commodity heading constituted a major share of raw stock products exports. Mentioned decrease was partially compensated by the growth of cotton supply (by 22.4 percent or USD 3.1 mln.), alive animals (by 79.7 percent of by USD 1.3 mln.) as well as tobacco (by 2.5 times or USD 0.8 mln).

In geographic structure of goods exports, a group of far-abroad countries became a leader in the fourth quarter of 2010 (67.2 percent of the total export). As before, the most major partner in this group was Switzerland (42.5 percent). Herewith, there was marked a change of the positions of such countries as France and the UAE. France share accounted for 3.9 percent in the overall volume of

exports against 7.2 percent in the fourth quarter of 2009; this was explained by a considerable decrease in supply of non-organic chemical substances to this country. The UAE share increased from 1.4 to 7.5 percent as a result of increase in the volumes of gold exports.

During the reporting period, the share of the CIS countries accounted for 32.8 percent of the total volume of exports. In the fourth quarter the volume of exports to the Customs Union member-countries increased by 20.0 percent or by USD 19.9 mln in absolute terms. Russia and Kazakhstan were the major consumers of the Kyrgyz exports.

Imports of goods¹ at FOB quotations increased by 21.3 percent in the fourth quarter of 2010 and amounted to USD 1,013.5 mln. Imports from the CIS countries increased to a greater extent (by 23.1 percent), while the growth of imports from far-abroad countries amounted to 19.3 percent.

Pursuant to the functional structure², in the fourth quarter of 2010, the largest commodity headings in import transactions were the consumable goods (31.9 percent of the total volume of imports), energy products (30.1 percent) and intermediate goods (19.2 percent).

In the reporting period import of consumer goods increased by 4.1 percent and reached USD 349.3 mln. Herewith, there was marked a 21.9 percent growth of consumer goods, whereas the inflow of non-foods decreased by 5.7 percent.

In the structure of food products, as a result of an increase both in physical volume of supplies and in import prices, there was marked a growth in value terms of such headings as meat and meat products (by 69.1 percent or by USD 10.1 mln) and vegetable oil (by 81.4 percent or by USD 7.2 mln.). Besides, the import volumes of mineral water and soft drinks increased mainly due to a rise in prices (by 51.8 percent or by USD 2.4 mln). At the same time, more considerable decrease in physical volume, as compared to the rise in prices, influenced the reduction of value volume for imports of sugar (by 45.1 percent or by USD 5.6 mln), fruit (by 54.4 percent or by USD 5.0 mln), and coffee, tea and cocoa (by 20.0 percent or by USD 4.3 mln).

Concerning non-foods, there was marked an imports decrease due to (to a greater extent) the decrease in physical volume of supply of footwear (by 66.0 percent of by USD 29.5 mln), automobiles (by 39.4 percent of by USD 17.8 mln), and volatile oils (by 41.8 percent or by USD 6.5 mln). There was also marked a 27.8 percent decrease in value volume of clothes and clothes' accessories imports. At the same time, there was marked the growth of medicaments supply (by 32.2 percent or USD 8.0 mln), mainly due to the rise in prices.

Imports of energy products increased by 48.1 percent in the reporting period to make USD 330.4 mln. More than 88.0 percent of energy products' imports

¹ CIF imports made USD 1,096.2 mln, while deficit of trade balance amounted to USD 858.5 mln.

² Hereinafter in CIF prices, according to NSC KR and STS KR, without regard to NBKR final evaluations.

fell within the supplies of petroleum products; during the reporting period their volume increased by 49.0 percent against the comparable quarter of 2009, which was conditioned both by a 38.0 percent increase in price and a 7.9 percent growth of physical volumes of supplies. Mainly under the influence of price factor, the imports of jet fuel and diesel fuel increased, whereas the supply of automobile gasoline slightly decreased. A reduction of physical volume of supplies of natural gas along with simultaneous growth of import prices for it caused the slight increase in value terms (by 1.6 percent or by USD 0.3 mln).

In the group of intermediary goods, the volume of imports made USD 210.1 mln, which was by 13.5 percent higher than that for the comparable period of 2009.

Influenced by the price and quantitative factors, there were increased the supplies of electric boards, panels and other erecting bases for distributing electric energy (by 7.2 times or by USD 2.0 mln) and fertilizers (by 23.5 percent or by USD 1.9 mln). Besides, there was marked an increase in supplies of rubber tires (by 40.5 percent or by USD 4.1 mln) due to the rise in price by 45.2 percent.

The decrease in physical volume of supplies caused a decrease in imports of fabric (by 20.2 percent or by USD 3.3 mln), components of machinery intended for sorting, sifting and cracking (by 48.5 percent or by USD 2.1 mln), wood (by 26.8 percent or by USD 1.7 mln), and coloring and tanning substances (by 25.2 percent or by USD 1.1 mln).

In accordance with geographic structure, the major share of import fell within the CIS countries (53.7 percent). The share of far-abroad countries correspondingly accounted for 46.3 percent. Imports from the Customs Union countries increased by 22.1 percent or by USD 92.9 mln. Kyrgyzstan's key partners for imports transactions were Russia (32.6 percent of the total imports), China (21.4 percent), Kazakhstan (11.7 percent), and the USA (5.7 percent).

1.4. Exchange Rate

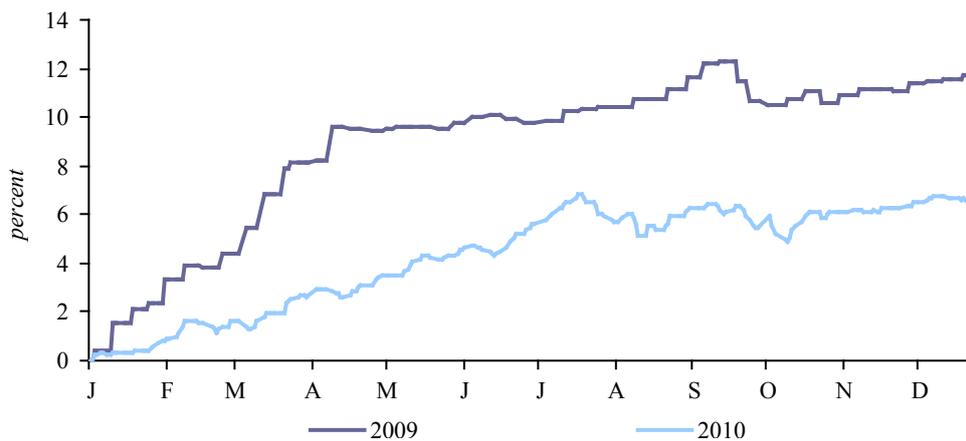
In the fourth quarter of 2010, the trend of som weakening against the US dollar continued. Meanwhile, considerable exchange fluctuations were marked in October influenced by the increase in currency incoming via money transfer systems, on the one part, and the increase in banks' demand for currency to service clients' import transactions, on the other hand. Later on, the range of fluctuations decreased, and USD exchange rate had stable growth influenced by a high demand due to an increase in the gap between export-import transactions of banks' clients.

With view of preventing acute fluctuations of the national currency rate, the NBKR performed the US dollar sales and purchase transactions at interbank foreign exchange auctions. The volume of NBKR transactions for sales of US dollars made 58.2 mln, having decreased by 4.3 percent. The volume of NBKR

transactions for purchase of US dollars was decreased by 34.3 percent, and their total amount made USD 9.9 mln (as compared to the fourth quarter of 2009, the volume of NBKR sales transactions increased three times, and that of the purchase transactions increased by 0.5 percent).

As of the end of the year, the US dollar official rate amounted to 47.0992 som/US dollar, having increased by 1.0 percent during the quarter (in the fourth quarter of 2009, USD official rate made 44.0917 som/US dollar, having increased by 1.1 percent

Fig. 1.4.1. Rates of Change of an Official Rate of US dollar



As before, the dynamics of euro rate was developed under the impact of its exchange rate against US dollar on the foreign markets. Due to the debt problems in separate countries of Eurozone, the euro exchange rate was decreasing during the reporting period. As a whole for the quarter, the euro selling rate decreased by 1.2 percent and made 62.3694 som/euro as of the end of the year.

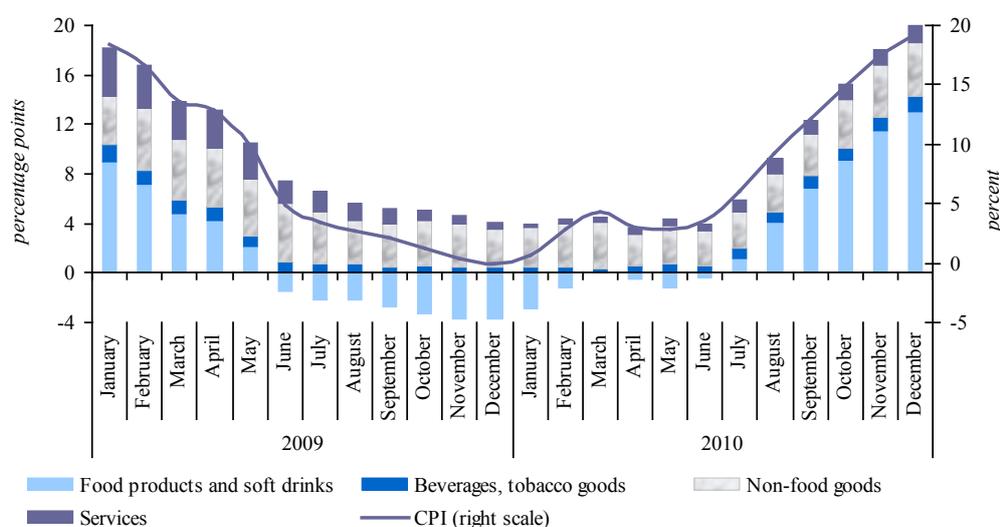
Chapter 2. Inflation and Its Components

2.1. Analysis of the Consumer Price Index Dynamics¹

Annual CPI inflation (December 2010 against December 2009) reached 19.2 percent, whereas for the comparable period of 2009 it was 0.0 percent. The highest growth of the consumer price index was marked for food products and soft drinks. In annual terms this group of goods went up in price by 27.0 percent. There was also an increase in prices for non-foods (14.2 percent); for alcoholic beverages and tobacco goods (12.9 percent), and that for paid services (11.9 percent).

The reasons for acceleration of inflation processes in the economy consisted in high prices for food and energy products in the international and domestic markets due to the diminishing of agricultural products' yield, recovering demand for petroleum products in the world, and introducing export duties for petroleum imported from Russia as well as to changes in tariff policy for electrical and heat energy, tightening the control-access mode on the borders with neighboring countries as well as deterioration of trade conditions within the country because of instable social and political situation in the country.

Fig. 2.1.1. Annual Dynamic of CPI and Input of Its Components



For the fourth quarter of 2010, the consumer price index amounted to 108.1 percent (in the fourth quarter of 2009 it made 101.7 percent). Meanwhile, the consumer price index for foods amounted to 113.2 percent, for alcoholic beverages and tobacco goods - 104.6 percent, for non-foods - 104.8 percent and for services - 102.6 percent.

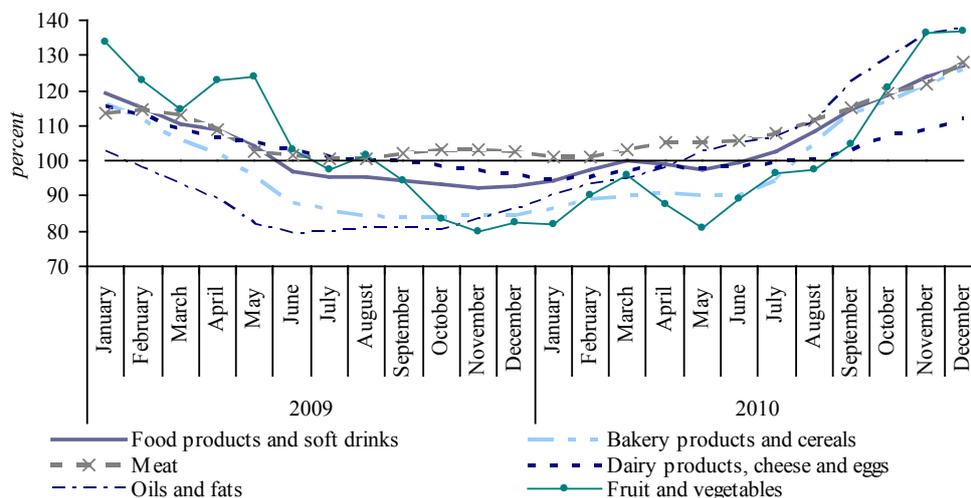
2.1.1. Dynamics of Prices for Food Products

Price situation in the domestic market is characterized, as a whole, by the uptrend. The prices of food products increased by 27.0 percent in 2010 (in 2009 there was the 7.4 percent decrease in price). The commodity line 'bakery products and

¹ According to the National Statistics Committee of the Kyrgyz Republic data.

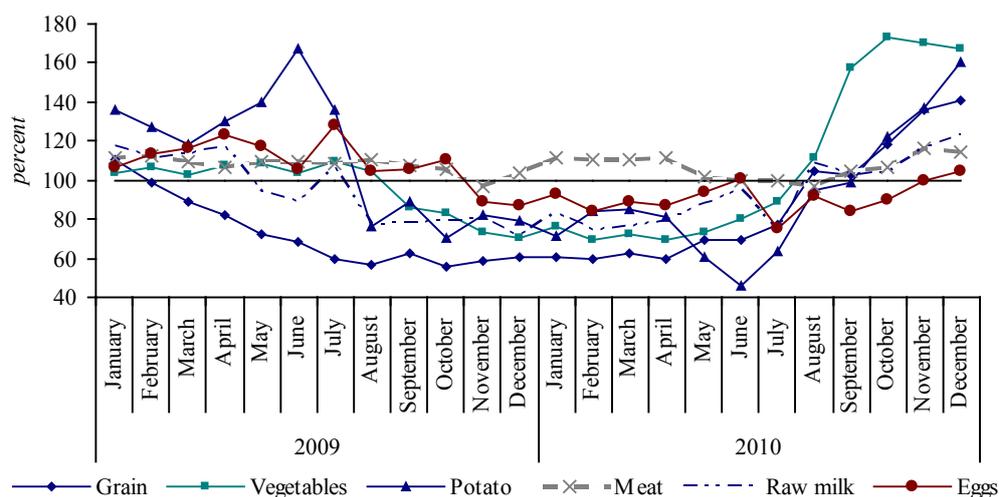
cereals' got up by 26.0 percent, including the 47.3 percent rise in price for the first grade wheat flour. The prices for dairy products rose by 12.0 percent, and those for fruit and vegetables rose by 37.0 percent. The rise in prices for bakery products and cereals occurred against the background of the decrease in wheat harvest in the country (-15.3 percent) and in the main trade partner-countries due to a decrease in cultivated areas and unfavorable natural and climate conditions.

Fig. 2.1.2. Annual Dynamics of Prices for Food Products



In the fourth quarter of 2010 there was a rise in prices of agricultural producers for all types of goods against the comparable indicator of the previous year. In annual terms, the producer price for grain increased by 40.9 percent, for vegetables - by 67.2 percent, for meat - by 14.4 percent, and for dairy products - by 23.5 percent.

Fig. 2.1.3. Annual Dynamics of Producer Price Index for Agricultural Products



In the fourth quarter of 2010 a rise in prices for fruits and vegetables influenced by seasonal factors was observed: fruit got up by 30.3 percent, while vegetables got up by 54.3 percent. In annual terms, the commodity line 'fruit and vegetables' went up in price by 37.0 percent: prices for fruit increased by 38.8 percent and those for vegetables rose by 37.8 percent.

According to the Ministry of Economical Regulation of the Kyrgyz Republic, 12.0 thousand tons of sugar were produced in 2010, which accounted for 9.5 percent of the total demand of the country (126.8 thousand tons a year). The low volume of domestic product supply as well as a rise in the value of imported sugar advanced domestic prices. For instance, for the fourth quarter of 2010, the growth of prices for sugar amounted to 9.1 percent for the country, whereas in annual terms the product got up by 22.5 percent.

As a result of a rise in prices for fodders, the decrease in domestic production against the previous year level as well the high volume of unaccounted export of domestic products, the rise in prices for meat was observed in the domestic market (+27.9 percent in annual terms).

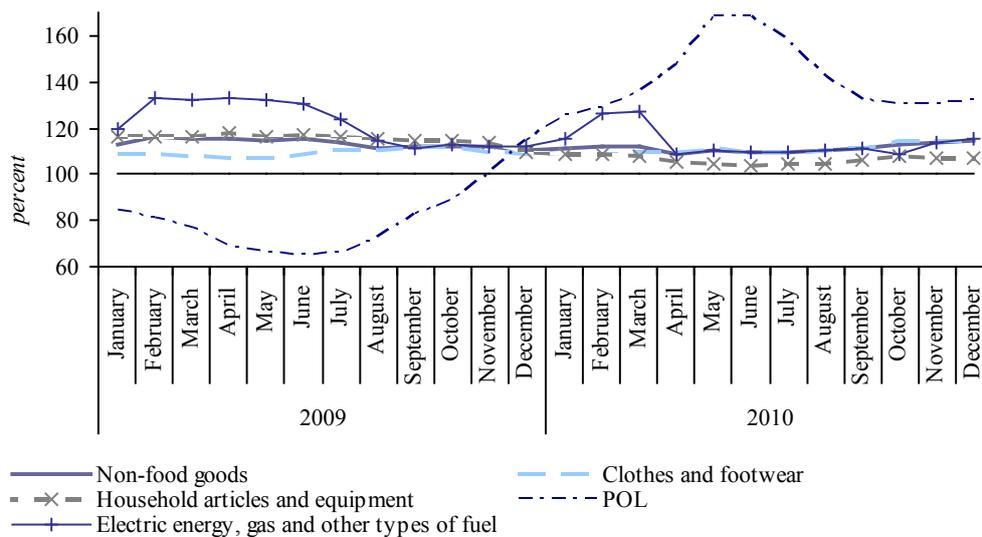
In 2010 there was a 37.8 percent rise in prices in the oils and fats market. The increase in prices for oils was conditioned by the drought in Russia, because of which the prices for sunflower seeds and oils increased by 1.5 times early in September of 2010, and by Kazakhstan's imposing vegetable oils' embargo.

In the fourth quarter of 2010, due to seasonal factors, an increase in consumer prices for dairy products made 14.4 percent, and, as a whole, dairy products got up by 12.0 percent in annual terms.

2.1.2. Dynamics of Prices for Non-Foods

The growth of price index for non-food goods made 14.2 percent in annual terms and was by 3.8 p.p. higher than the comparable indicator for 2009. The consumer price index for non-foods was determined by the price dynamic for clothes and footwear (+14.5 percent) mainly due to the fact that materials for making clothes became more expensive by 15.7 percent as well as cleaning, repairing and hiring-out of clothes got up by 20.3 percent; the tariffs for electric energy, hot water, and central heating got up as well (+15.1 percent). There was some rise in prices for household items and domestic equipment, which made 6.9 percent. The main reason for the existing dynamic was the rise in prices for furniture and floor coating (+6.3 percent) due to the rise in the value of wood as well as of glassware and tableware (+12.7 percent). The value of petroleum, oil and lubricants increased by 31.8 percent in annual terms: the rise in prices for petrol was 29.3 percent, while that for diesel fuel made 51.9 percent.

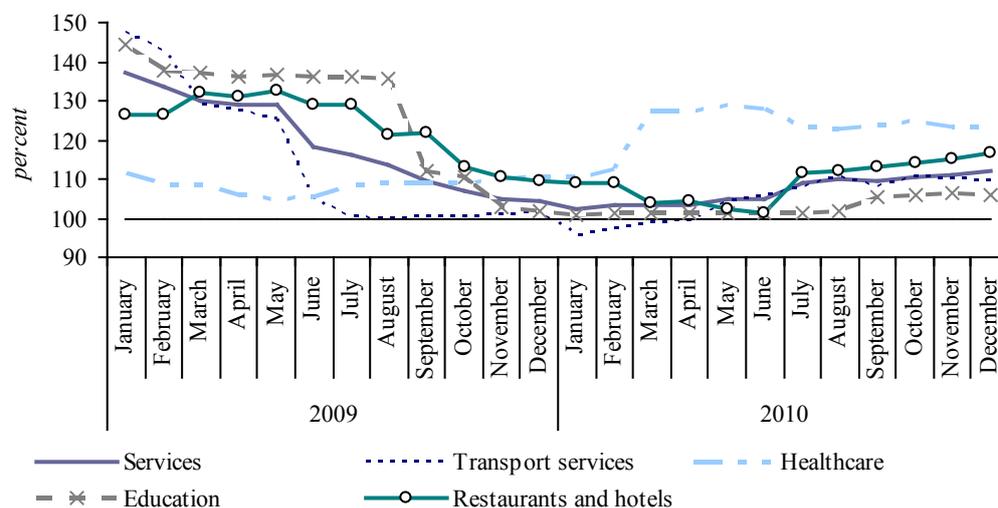
Fig. 2.1.4. Annual Dynamic of Prices for Non-Food Products



2.1.3. Dynamics of Prices for Services

The growth of price index for services amounted to 11.9 percent (4.4 percent for 2009). The growth of index in this group occurred mainly due to the rise in prices of restaurants’ and hotels’ services by 16.7 percent, which was connected with the rise in value of nutrition and transport services (+9.2 percent) and recreation organization services (+23.5 percent). The increase in prices of healthcare and education services was observed by 23.1 and 5.9 percent correspondingly.

Fig. 2.1.5. Annual Dynamic of Prices for Fee-Based Services



2.1.4. Consumer Price Dynamics in Regions

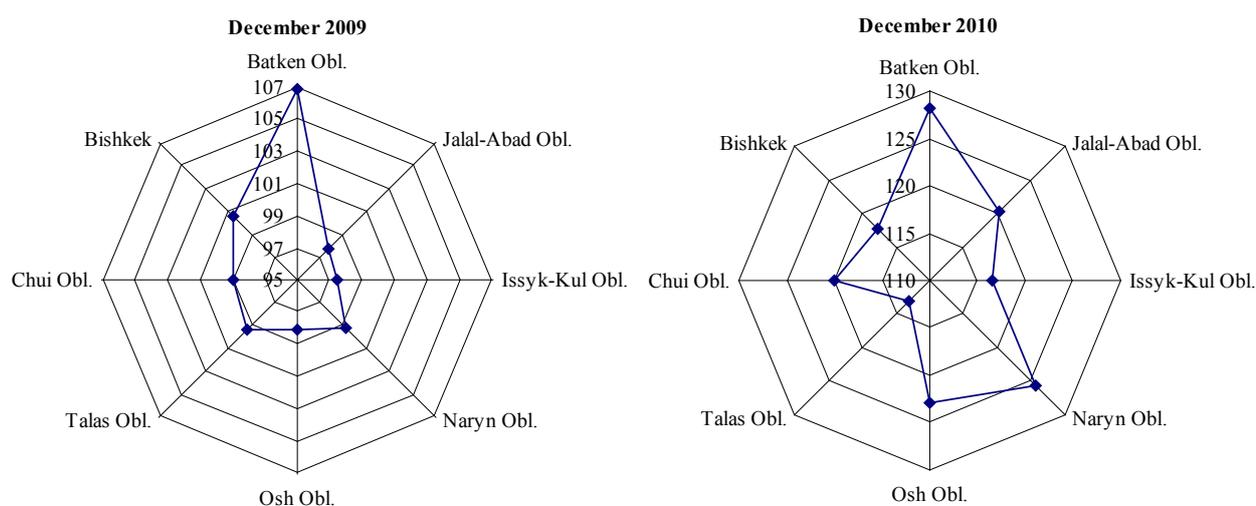
In 2010 an increase in the overall level of consumer prices was observed in all oblasts of the country. In majority of the oblasts the level of inflation exceeded 20 percent in annual terms. For instance, the rise in prices amounted to 28.1 percent for Batken Oblast, 25.7 percent for Naryn Oblast, 23.0 percent for Osh Oblast, 20.2 and 20.0 percent for Jalal-Abad and Chui Oblasts correspondingly. In Issyk-Kul and Talas Oblasts the prices increased by 16.5 and 13.1 percent

correspondingly. The major factor of the rise in overall price level was the increase in prices for food and non-food products.

In Bishkek there was a 17.6 percent rise in prices; herewith, food products went in price by 23.7 percent, alcoholic beverages and tobacco goods got up by 14.7 percent, nonfoods got in price by 14.0 percent and prices for fee-based services increased by 10.3 percent.

In 2010 an increase in prices for petroleum, oil, and lubricants was observed in the regions, within which the major volume of agricultural production was performed; in particular for diesel fuel that was related to some increase in demand for mentioned goods during agricultural field works. More than 10 percent rise in prices for meat products was marked in Issyk-Kul and Naryn Oblasts. The advance in price for meat was connected with a decrease in meat supply in the market due to an increase in the volumes of export to neighboring countries. The demand for wheat increased in the oblasts of northern part of the country; nevertheless, agricultural producers have kept wheat until spring in order to sell it at higher prices; this fact also contributed to advancement of the price.

Fig. 2.1.6. Annual Dynamics of CPI in Oblasts



2.2. Core Inflation

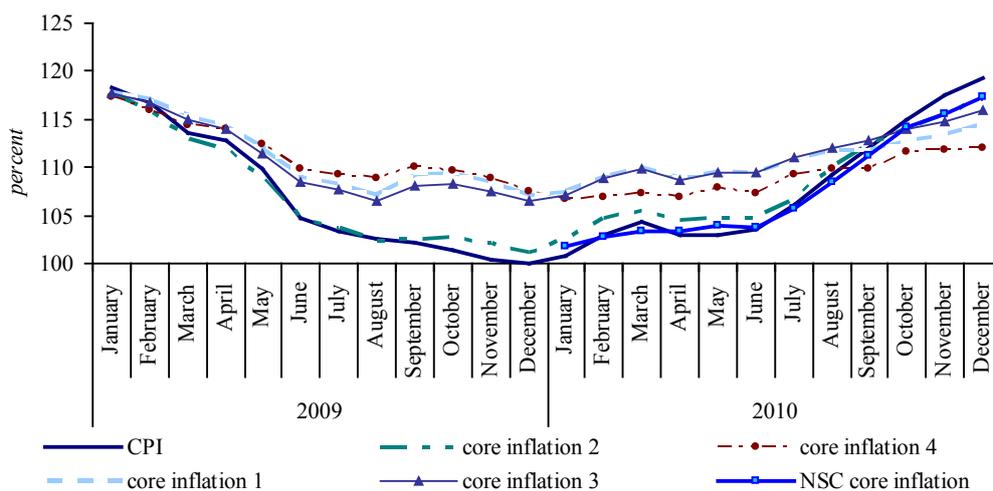
Core inflation is defined as the trend of inflation excluding short-term, structural, and seasonal changes in prices. That means that growth of prices of goods, caused by the seasonal or external factors such, as poor harvest, a price shock in the market of petroleum products, administrative changes in gas and electricity tariffs are removed from the calculation of the rate of inflation.

Dynamics of core inflation calculated by means of the method of simple exclusions is described below. This method implies the removal of categories or the whole group of goods and services, highly sensitive to shocks, from CPI. Traditionally, such goods comprise some food products, energy resources and the tariffs, administratively established by the Government.

Since April 2010 the National Statistics Committee of KR has started calculation of core inflation using the simple exclusions method (according to the approved methodology No. 9 dated April 29, 2010). On the whole, the share of excluded goods accounts for 25 percent of the total consumer goods basket.

According to the NSC KR approach, core inflation in annual terms amounted to 17.3 percent as of December 2010, whereas the ‘uncleaned’ inflation made 19.2 percent.

Fig. 2.2.1. Annual Dynamic of Estimate Indicator for Core Inflation



Core Inflation 1 – types of goods to be excluded: (1) bakery products and cereals, (2) oils and fats, (3) fruit and vegetable, (4) gas, (5) repair and construction materials.

Core inflation 2 – types of goods to be excluded: (1) meat, (2) fruit and vegetables, (3) gas, (4) repair and construction materials.

Core inflation 3 – types of goods to be excluded: (1) bakery products and cereals, (2) dairy products, (3) fruit and vegetable, (4) gas, (5) repair and construction materials.

Core inflation 4 – food products and electrical energy, gas and other types of fuel are to be completely excluded.

Core inflation of NSC – milk, sugar, separate types of fruit and vegetables as well as alcoholic beverages and tobacco goods, petroleum, oils, and lubricants, the commodity line ‘electric energy, gas and other types of fuel’, the services of passenger transport and communication, and some other services, are to be excluded.

Chapter 3. Monetary Policy Decisions of the National Bank of the Kyrgyz Republic

3.1. Major Decisions of the NBKR Board

Below is the list of monetary policy major decisions taken by the Board of the National Bank of the Kyrgyz Republic in the fourth quarter of 2010:

1. With view of regulating the liquidity level in the banking system, the NBKR Board approved the new Regulation for *The Procedure of Performing Deposit Transactions in Foreign Currency by the National Bank of the Kyrgyz Republic* dated November 26, 2010, subject to the comments and proposals submitted by commercial banks and the Union of Banks of Kyrgyzstan (Resolution No. 88/2).
2. With view of assessing the current situation as well as developing the scenarios for pursuing adequate monetary policy in short-term period, the NBKR Board considered and approved the monetary policy report for January to September 2010 and monetary program for the forthcoming period (Resolution No. 89/1) on December 1, 2010. Brief version of the monetary policy report for January to September 2010 was submitted to the President's Administration, the Government Office, the Jogorku Kenesh, the Ministry of Finance and the Ministry of Economic Regulation of the Kyrgyz Republic for information as well as posted on the NBKR official website.
3. For developing the *Joint Statement of the Government of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic on Social and Economical Policy for 2011*, the NBKR Board considered the National Bank of the Kyrgyz Republic Statement on Monetary Policy for 2011 (resolution No. 96/1) on December 20, 2010.
4. On December 29, 2010, the NBKR Board approved the document on *Key Directions of Monetary Policy for 2011-1013*; the document specified the monetary policy goals for medium-term period. In the course of developing the document, the trends in the international financial and commodity markets, internal and external factors and potential risks as well as forecasting data by the Ministry of Finance and the Ministry of Economic Regulation of the Kyrgyz Republic were taken into account. Brief version of the document was submitted to the President's Administration, the Jogorku Kenesh and the Government's Apparatus of the Kyrgyz Republic for information as well as was posted on the NBKR official web-site (Resolution No. 96/1).

3.2. Major Decisions of the Monetary Policy Committee

The Monetary Policy Committee develops and takes operative decisions in monetary sphere. The decisions are taken weekly and based on the results of

assessing the developments in money market. In the second quarter of 2010 the volumes of operations for regulating liquidity in the banking system were defined by the MPC subject to the goals and purposes specified by the NBKR Board and indicated in the *Key directions of monetary policy for 2010*, in monetary program for the forthcoming period as well as with regard to the situation in the banking sector and the situation in fiscal sphere.

In the fourth quarter of 2010 the MPC held 13 meetings. The MPC decisions were focused on regulation of liquidity in the banking system through arrangement of weekly auctions for NBKR notes. Given an increase in the excessive liquidity, the NBKR proceeded with holding auctions for the 7- and 14-day NBKR notes in the fourth quarter of 2010. At the same time, the NBKR continued increasing the volume of NBKR notes emission aiming at bringing the volume of notes in circulation up to Som 1.1 bln by the end of December 2010 from the level of Som 0.4 bln as of the end of September 2010.

Taking into account a substantial growth of net expenditures of the Government in December 2010, the NBKR recommended performing operations for government securities sale on REPO terms in the amount of Som 550.0 mln with view of additional withdrawal of excessive reserves in commercial banks.

In the fourth quarter of 2010 the sales volume of NBKR notes amounted to Som 2.2 bln, while that of government securities on REPO terms made Som 70.9 mln. As of the end of December 2010, the volume of NBKR notes made Som 0.7 bln. The NBKR net sales of US dollars amounted to Som 2.4 bln in som equivalent for the reporting period.

The MPC also made decisions on the extent of basic rate for crediting the LLC Specialized Fund for Banks Refinancing, which is to be prescribed on monthly basis. The extent of interest rate for SFBR credit funds shall be equated with the basic rate applying correction coefficient of 7.0 percent subject to a crediting sector.

With view of supporting credit financing and facilitating economic development, in compliance with the MPC decision, the basic rate for SFBR was maintained at the level of 7.0 percent during the fourth quarter of 2010.

Taking into account a high level of inflation in the country and ongoing considerable inflationary risks in 2011, including the expected high deficit of state budget, on December 30, 2010, the MPC made a decision on raising the basic rate for crediting SFBR for January 2011 from 7.0 to 8.0 percent as part of hardening the monetary policy, in compliance with the *Key Directions of Monetary Policy for 2011-2013* approved by the NBKR Board Resolution No. 96/1 dated December 29, 2010.

Chapter 4. Inflation Forecast

4.1. Forecast of Key Inflation Factors Dynamics

The forecast of economic development for 2011 was elaborated with consideration of the high number of risks caused by external and internal factors that influence the recovery and development of economic activity in the country.

The forecast elaborated by the National Bank stipulates the development of economy sectors under the ongoing recovery of economic activity in the country, favorable external-economic environment and dynamic revival of the southern part of the republic. The major contribution to GDP growth is expected on the part of such sectors as construction and agriculture; a considerable increase in the trade transactions turnover conditioned by the growth of consumer activity of the population and economical activity of main trade partner-countries (Russia, Kazakhstan, and China) is possible. In 2011 the NBKR expects a 6.6 percent growth of economy; herewith, the nominal GDP volume is expected at the level of about Som 226.1 bln.

Table 4.1.1. GDP Forecast by Sectors of Economy for 2011¹

	actual data				estimated data			
	current prices, mln.soms	comparable prices, mln.soms	real increment, percent	real contribution, percent	comparable prices, mln.soms	real increment, percent	real contribution, percent	
	2009				2010			
Agriculture, hunt and forestry	39 334.8	36 712.0	-2.8	7.1	41 694.9	6.0	12.2	
Industry	41 093.3	37 444.5	9.9	9.7	41 715.0	1.5	3.2	
<i>Mining industry</i>	1 451.0	1 067.9	-0.4	35.9	1 523.6	5.0	0.4	
<i>Processing industry</i>	33 830.7	31 527.1	10.1	7.3	34 089.3	0.8	1.3	
<i>including the Kumtor</i>	19 904.0	15 829.4	7.6	25.7	19 406.4	-2.5	-2.6	
<i>Production and distribution of e/p, gas and water</i>	5 811.6	4 849.5	11.0	19.8	6 102.2	5.0	1.5	
Construction	11 998.9	10 414.6	-22.8	15.2	15 598.6	30.0	18.6	
Trade	34 625.7	31 687.5	-6.4	9.3	38 261.4	10.5	18.8	
Transport and communication	19 385.9	18 108.2	2.5	7.1	20 355.2	5.0	5.0	
Others	43 385.9	42 281.2	0.1	2.6	44 687.5	3.0	6.7	
Net taxes for products	22 352.9	21 842.7	-1.4	2.3	23 823.4	6.6	7.6	
GDP	212 177.4	198 490.7	-1.4	6.9	226 136.0	6.6	72.0	
GDP without the Kumtor	192 273.4	182 661.3	-2.1	5.3	206 729.6	7.5	7.2	
<i>For reference</i>								
Services	97 397.5	92 076.9	-1.8	5.8	103 304.1	6.1	30.5	

The economic development in 2011 will, in many aspects, depend on external factors: conditions of sales with major trade partner-countries (the Customs Union members) and pricing environment in the international food and raw stock markets.

It must be borne in mind that economic situation within the country will largely depend on economic development of neighboring countries (Russia, Kazakhstan), which economies, in their turn, are, in many respects, subjected to

¹ The Ministry of Economic Regulation of the Kyrgyz Republic assesses the increment in 2011 at the level of 6.3 percent; so, this assessment insufficiently differs from the NBKR forecast.

the trends of international prices for oil. As practice shows, the periods of high prices for energy carriers give a high-power impulse to economic development throughout the region. Kyrgyz economy also experiences a positive effect from such an expansion through capital inflow, trade activity growth and personal income increase.

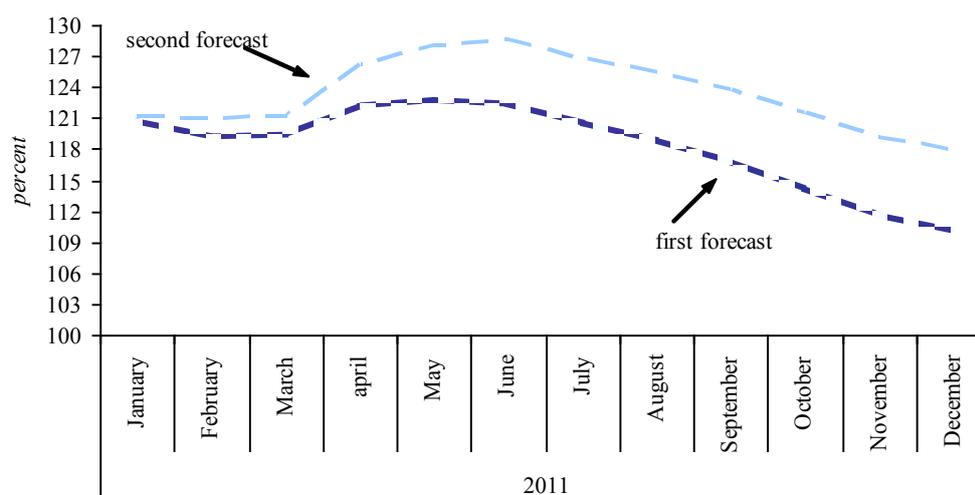
4.2. Inflation Forecast for 2011 and the First Quarter of 2011

Inflation forecast for 2011 was developed under the continuous rise in prices from the mid of 2010. The price risks have still been shifted up. As a whole, the inflation dynamic will directly depend on the measures taken to stabilize the situation in the food market. In the case of failure to undertake timely and sufficient measures there will be a substantial threat to prices stability.

The nature of the macroeconomic situation development and ongoing high inflationary expectations among the population, fiscal policy imbalance as well as slow recovery of favorable external and internal sales conditions are the prerequisites for maintaining the high inflationary background in economy. For instance, according to the NBKR assessment, inflation may vary from the value of up to 10 percent to the order of 18.5 percent by different scenarios, under various levels of internal and external factors.

Great uncertainty derives from practical implementation of the fiscal policy. The increase in state budget deficit of up to 8.7 percent to GDP considerably enhances the risks of price stabilization. For instance, public sector expenditures constitute one of the main sources for increase in money supply in the current year. The expected increase in salaries, pensions and other types of payments will be reflected in the increased demand for goods and services in the consumer market. Expected changes in tax policy, which provide for the increase in the rates of excise tax for alcoholic and tobacco goods, partial repeal of tax benefits, etc, may additionally contribute to the inflation level.

Moreover, in 2010 the practice of uneven spending of state budget within the year has continued till the end of the year that will influence the rise in inflation in the first half of 2011.

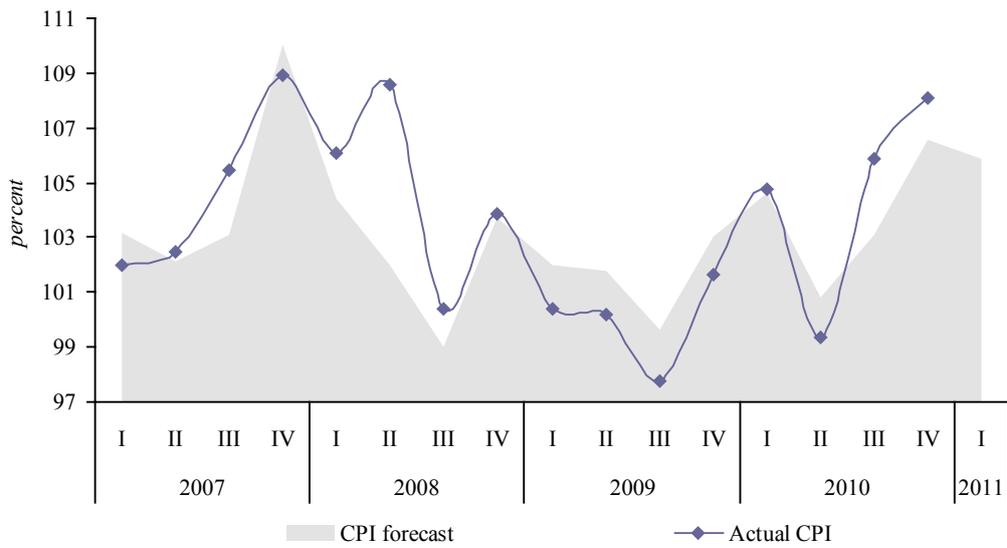
Fig. 4.2.1. Forecast of Inflation Annual Value

On the whole, in the short- and average-term periods, the price situation will be, to a greater extent, predetermined by such factors as structural reforms in agricultural sector, enhancement of productive potential, changes in external economical environment, balance between the demand and supply of goods and services, administratively prescribed tariffs, changes in indicators of government budget, and seasonal fluctuations for agricultural products.

In other words, besides the external shocks' risks typical for small open economies, the problems of just the very internal factors' influence on the economy of our country are extremely acute.

In the first quarter of 2011 an increase in the consumer price index is expected, primarily, as a result of the ongoing price dynamics for food products. Besides, the inflation uptrend will be developed under the influence of seasonal factors, in particular, on the part of fruits and vegetables and meat and dairy products. As a whole, the price growth in the first quarter of 2011 is forecasted to be 5.5 – 6.0 percent.

Fig. 4.2.2. Inflation Forecast for the First Quarter of 2011



Another indicator of price dynamics in economy as a whole – GDP deflator – is forecasted to be 8.2 percent in 2011.

Statistical Annex

Table 1. Consumer Price Index
(a month against previous month, percent)

	2010					
	Jan.	Feb.	March	April	May	June
Consumer Prices Index	101.3	102.5	101.0	99.0	100.2	100.1
Goods	101.4	102.8	101.0	98.8	100.0	100.1
Food and soft drinks	102.0	101.9	101.5	99.2	98.9	99.9
Alcoholic beverages and tobacco	100.1	100.2	100.4	102.6	100.5	100.5
Non-food	100.9	104.8	100.6	97.3	101.4	100.2
Services	100.4	100.7	100.8	100.1	101.5	100.5
Food products and soft drinks	102.0	101.9	101.5	99.2	98.9	99.9
Bakery products and cereals	99.4	99.8	99.4	99.3	99.7	100.4
high-grade wheat flour	99.6	99.5	99.8	99.5	99.4	100.2
first-grade wheat flour	99.4	99.7	99.4	99.0	99.0	100.7
bread	100.0	101.0	100.0	100.1	99.8	100.5
Meat	101.1	101.3	102.3	100.9	100.6	100.8
Fish	102.4	103.2	100.3	101.3	100.1	100.1
Diary products, cheese and eggs	100.9	99.9	98.4	98.6	98.3	98.7
Oils and fats	101.0	100.1	100.5	100.9	101.4	100.6
Fruits and vegetables	104.4	108.4	105.7	97.1	93.3	97.9
fruits	102.1	101.6	101.4	100.8	100.4	109.5
vegetables	105.8	112.3	108.0	95.3	90.5	92.7
Sugar, jam, honey, chocolate and candies	108.4	101.7	101.4	98.5	98.5	98.9
sugar	113.6	102.4	101.7	97.2	98.0	98.0
Other food products	98.1	100.3	100.1	99.9	99.4	103.9
Soft drinks	100.9	100.7	101.8	101.1	101.2	100.7
Strong drinks and tobacco products	100.1	100.2	100.4	102.6	100.5	100.5
Strong drinks	100.2	100.2	100.7	100.3	100.7	100.7
Tobacco products	100.0	100.0	100.0	107.4	100.0	100.0
Garments and footwear	100.4	100.7	100.4	100.9	101.5	100.0
garments	100.5	100.9	100.6	101.1	101.9	99.9
fabric for garments	103.8	107.5	100.1	100.0	100.0	100.2
garments for men	100.4	100.7	100.0	100.8	102.7	100.1
garments for women	100.4	100.9	101.1	102.0	103.0	99.3
children and newborns garment	100.2	100.2	100.2	100.2	100.1	100.3
cleaning, mending and renting garments	100.4	101.1	105.3	100.0	101.3	101.3
footwear including repair	100.2	100.2	100.0	100.6	100.4	100.3
men footwear	100.2	100.4	98.3	99.8	100.2	100.2
women footwear	100.0	100.1	102.7	101.6	100.2	100.3
children footwear	100.6	100.2	96.7	99.5	101.8	100.3
shoe repair	100.0	100.2	100.0	100.0	100.5	100.0
Housing services, water, electricity, gas and other fuels	103.0	118.3	100.6	87.5	100.8	99.2
rent of dwelling	100.0	100.0	100.4	100.0	100.0	100.0
material for maintenance and repair of living houses	97.9	99.0	100.2	101.5	103.2	99.8
electricity, gas and other types of fuel	103.9	122.1	99.6	85.2	100.6	99.0
gas	100.7	100.1	100.7	100.9	100.2	100.5
Household articles, household appliances	100.1	100.5	100.4	100.3	99.4	100.2
furniture and floor coverings	100.1	100.3	100.1	100.6	100.1	100.2
household textile items	100.0	100.0	100.1	100.0	100.0	100.1
home appliances	100.0	100.1	100.3	100.0	100.5	100.2
glassworks, tableware and household stuff	100.3	100.6	100.0	100.4	100.1	100.2
Health	100.3	102.4	113.4	100.3	101.3	99.7
Transport	98.5	100.2	99.7	100.6	104.6	101.6
purchase of cars	100.3	100.5	100.5	100.6	100.6	100.5
petrol and lubricants	97.7	99.5	101.0	105.6	113.4	104.5
gasoline	97.4	99.4	100.3	105.1	112.8	104.5
diesel	99.7	99.7	105.3	108.8	123.1	103.6
transport services	98.4	100.2	99.5	100.1	104.7	101.5
Communication	100.0	99.7	100.0	100.0	100.0	100.0
Recreation, entertainment and culture	100.0	100.8	100.3	100.5	104.4	103.1
cultural events services	100.0	103.9	100.4	100.1	100.0	100.0
papers, books and stationary	100.0	100.0	100.1	100.0	100.0	100.0
Education	99.6	100.5	100.0	100.2	100.0	100.0
Restaurants and hotels	100.3	100.4	100.0	100.2	100.0	100.0
catering	100.3	100.3	100.0	100.0	100.0	100.0
hotel service	100.2	101.6	100.3	103.3	100.7	100.2
Various goods and services	103.0	101.9	101.9	100.3	100.4	100.6
personal service	103.4	102.1	102.2	100.2	100.3	100.2

Source: NSC

2010						
July	Aug.	Sep.	Oct.	Nov.	Dec.	
101.0	101.9	102.9	102.6	102.9	102.4	Consumer Prices Index
100.6	102.0	103.3	102.8	103.3	102.6	Goods
100.1	103.2	105.0	103.8	104.7	104.2	Food and soft drinks
101.2	101.0	101.1	101.1	101.8	101.7	Alcoholic beverages and tobacco
100.9	100.9	101.9	102.1	101.9	100.8	Non-food
103.8	101.1	99.9	101.0	100.5	101.0	Services
100.1	103.2	105.0	103.8	104.7	104.2	Food products and soft drinks
102.6	109.6	106.4	101.9	103.1	102.2	Bakery products and cereals
102.4	112.8	109.6	101.7	102.8	102.3	high-grade wheat flour
104.1	117.6	110.2	103.0	105.2	103.7	first-grade wheat flour
101.1	104.5	106.8	102.4	104.5	101.0	bread
101.1	102.3	103.7	103.8	102.2	105.0	Meat
102.5	101.6	100.1	101.6	101.1	101.4	Fish
99.2	100.5	103.5	105.3	103.4	105.1	Diary products, cheese and eggs
101.9	104.3	109.7	104.3	105.4	102.9	Oils and fats
92.6	91.0	105.1	113.7	118.3	108.3	Fruits and vegetables
98.1	88.8	104.9	116.2	108.7	103.3	fruits
89.6	92.3	105.3	112.4	123.9	110.8	vegetables
99.2	101.0	102.3	100.6	100.8	105.3	Sugar, jam, honey, chocolate and candies
98.1	100.6	103.1	100.6	100.7	107.7	sugar
101.2	101.2	101.6	101.1	101.2	100.8	Other food products
100.8	100.9	100.5	101.5	100.7	103.4	Soft drinks
101.2	101.0	101.1	101.1	101.8	101.7	Strong drinks and tobacco products
100.6	100.5	100.8	100.7	100.8	100.7	Strong drinks
102.8	102.8	102.0	102.0	104.7	104.4	Tobacco products
100.9	100.5	102.5	104.0	101.4	100.4	Garments and footwear
100.5	100.5	103.8	105.1	101.5	102.5	garments
101.7	100.5	100.3	100.4	100.3	100.3	fabric for garments
100.2	100.3	106.9	105.4	102.5	101.9	garments for men
100.5	100.3	102.5	106.1	101.2	101.9	garments for women
100.6	101.0	103.2	104.1	101.2	104.3	children and newborns garment
100.1	101.9	101.7	100.8	100.1	104.8	cleaning, mending and renting garments
101.7	100.6	99.6	101.7	100.9	95.6	footwear including repair
102.7	101.0	96.9	100.6	100.7	96.2	men footwear
100.7	100.3	101.6	101.7	100.7	94.2	women footwear
103.1	101.0	98.3	103.0	102.2	97.9	children footwear
100.0	100.0	100.0	108.8	101.0	104.4	shoe repair
100.2	101.3	100.4	99.8	104.6	101.3	Housing services, water, electricity, gas and other fuels
100.0	100.0	100.0	100.0	100.0	100.0	rent of dwelling
100.1	103.5	102.1	109.5	106.1	94.6	material for maintenance and repair of living houses
100.2	101.2	100.2	98.6	104.7	102.3	electricity, gas and other types of fuel
100.6	104.9	100.6	98.6	100.3	102.0	gas
100.9	101.0	101.5	101.7	100.3	100.6	Household articles, household appliances
100.4	100.6	100.1	102.7	100.6	100.5	furniture and floor coverings
104.0	100.0	101.1	100.8	100.1	100.6	household textile items
100.1	101.0	101.7	100.2	100.3	100.5	home appliances
100.2	104.5	104.4	100.9	100.3	100.3	glassworks, tableware and household stuff
99.9	100.7	101.2	101.0	100.5	100.9	Health
101.8	102.1	99.6	100.9	100.6	100.3	Transport
101.0	101.6	102.3	99.7	100.3	100.3	purchase of cars
100.8	100.9	100.5	100.7	103.0	101.2	petrol and lubricants
100.8	100.9	100.6	100.7	103.1	101.2	gasoline
101.0	100.1	100.2	100.2	102.1	100.9	diesel
102.5	102.8	98.0	101.5	100.0	99.9	transport services
100.0	100.0	100.0	100.0	100.0	100.0	Communication
102.3	101.8	103.9	102.6	100.1	101.7	Recreation, entertainment and culture
100.0	100.0	100.0	100.0	100.0	100.1	cultural events services
100.0	104.2	109.0	103.9	100.0	103.4	papers, books and stationary
100.1	100.4	104.4	100.0	101.0	99.8	Education
109.9	100.7	100.8	101.2	101.0	101.5	Restaurants and hotels
110.2	100.7	100.8	101.1	101.0	101.5	catering
100.0	99.7	100.5	104.1	100.2	100.1	hotel service
102.1	100.4	102.3	101.5	100.6	102.5	Various goods and services
100.6	100.5	102.8	101.5	100.8	102.9	personal service

Table 2. Consumer Price Index
(a month against corresponding month of the previous year, percent)

	2010					
	Jan.	Feb.	March	April	May	June
Consumer Prices Index	100.7	102.9	104.3	102.9	102.9	103.6
Goods	100.6	103.1	104.7	103.0	102.8	103.5
Food and soft drinks	94.3	97.5	100.0	98.9	97.4	99.3
Alcoholic beverages and tobacco	105.1	105.2	105.0	106.9	107.1	106.0
Non-food	110.9	111.8	112.4	108.9	110.2	109.2
Services	102.4	103.3	103.6	103.6	104.8	105.1
Food products and soft drinks	94.3	97.5	100.0	98.9	97.4	99.3
Bakery products and cereals	86.6	89.3	90.2	90.6	90.3	90.5
high-grade wheat flour	78.1	82.2	84.2	88.9	93.6	92.5
first-grade wheat flour	74.3	79.2	80.7	83.6	86.8	87.6
bread	90.2	91.8	92.5	94.8	95.3	95.8
Meat	100.9	100.9	103.2	105.3	105.4	105.8
Fish	103.1	105.6	105.1	106.0	105.8	106.7
Diary products, cheese and eggs	94.8	95.5	97.5	98.7	98.1	98.4
Oils and fats	90.2	93.2	94.9	98.0	102.6	104.8
Fruits and vegetables	82.2	90.0	96.0	87.6	81.1	89.4
fruits	88.5	89.4	90.9	89.8	86.8	101.5
vegetables	76.3	87.7	96.0	83.3	76.5	83.3
Sugar, jam, honey, chocolate and candies	126.2	129.7	132.1	129.9	123.5	120.2
sugar	146.4	152.0	155.8	152.0	139.8	133.4
Other food products	99.2	99.9	100.5	101.0	100.3	104.3
Soft drinks	112.1	112.3	113.5	112.7	113.9	113.7
Strong drinks and tobacco products	105.1	105.2	105.0	106.9	107.1	106.0
Strong drinks	107.1	107.2	107.0	106.3	106.6	104.9
Tobacco products	101.2	101.1	101.0	107.8	107.8	107.8
Garments and footwear	108.7	108.9	109.3	109.8	110.9	109.3
garments	110.3	110.5	110.6	110.9	112.6	111.0
fabric for garments	153.5	160.1	139.7	121.3	121.1	112.9
garments for men	110.6	110.5	110.2	110.4	112.9	111.4
garments for women	109.1	109.4	110.3	112.2	115.0	113.1
children and newborns garment	108.0	107.6	108.0	108.3	108.1	107.4
cleaning, mending and renting garments	107.2	107.9	113.5	111.5	112.0	111.4
footwear including repair	105.7	105.8	106.7	107.5	107.1	105.9
men footwear	105.9	106.2	106.0	107.1	105.6	104.3
women footwear	106.6	106.7	110.2	110.6	110.1	109.2
children footwear	104.2	104.4	101.6	101.9	103.6	102.0
shoe repair	112.9	108.5	106.9	103.9	104.5	103.5
Housing services, water, electricity, gas and other fuels	113.7	122.4	124.1	109.2	110.4	108.4
rent of dwelling	101.0	100.7	100.4	100.4	100.4	100.4
material for maintenance and repair of living houses	106.9	103.2	103.6	105.1	108.1	97.1
electricity, gas and other types of fuel	115.6	126.6	127.2	109.0	110.2	109.3
gas	158.5	102.2	102.9	104.3	105.4	106.2
Household articles, household appliances	109.1	109.0	107.5	105.5	104.5	103.6
furniture and floor coverings	105.2	105.4	104.4	103.2	103.1	103.2
household textile items	140.9	140.0	125.1	110.0	110.1	102.6
home appliances	102.6	102.5	101.9	101.4	101.8	101.8
glassworks, tableware and household stuff	108.2	108.0	106.0	104.7	104.4	103.2
Health	110.4	112.4	127.5	127.5	128.8	127.9
Transport	98.9	100.4	102.0	102.8	108.2	109.3
purchase of cars	110.7	108.5	105.3	104.3	104.6	105.0
petrol and lubricants	125.4	129.2	135.8	147.0	168.6	168.7
gasoline	134.9	137.0	143.9	155.0	175.7	173.4
diesel	94.4	101.7	109.5	121.6	154.7	161.3
transport services	95.5	97.1	98.7	99.0	104.4	105.5
Communication	100.0	99.7	99.7	99.7	99.8	99.8
Recreation, entertainment and culture	111.3	109.4	108.8	108.6	112.8	115.9
cultural events services	116.7	119.9	120.0	111.2	105.9	105.8
papers, books and stationary	117.6	115.8	115.6	115.5	115.2	114.6
Education	101.0	101.3	101.3	101.4	101.3	101.3
Restaurants and hotels	108.8	108.9	104.0	104.1	102.1	101.5
catering	108.4	108.5	103.3	103.4	101.3	101.1
hotel service	118.3	119.6	118.9	122.2	122.4	108.9
Various goods and services	110.2	109.4	110.6	109.2	109.0	109.8
Personal service	110.2	110.6	112.4	110.5	110.1	110.6

Source: NSC

2010						
July	Aug.	Sep.	Oct.	Nov.	Dec.	
106.0	109.2	112.1	114.9	117.5	119.2	Consumer Prices Index
105.8	109.3	112.7	115.7	118.6	120.4	Goods
102.6	108.4	114.4	118.9	123.7	127.0	Food and soft drinks
107.2	108.1	108.8	109.7	111.6	112.9	Alcoholic beverages and tobacco
109.9	110.6	111.4	113.1	114.1	114.2	Non-food
108.9	109.9	109.4	110.7	111.0	111.9	Services
102.6	108.4	114.4	118.9	123.7	127.0	Food products and soft drinks
94.4	104.9	113.7	117.2	121.7	126.0	Bakery products and cereals
95.3	109.1	122.2	125.2	129.2	132.7	high-grade wheat flour
94.2	113.6	128.1	132.5	140.2	147.3	first-grade wheat flour
97.1	101.5	108.1	113.3	120.6	122.2	bread
107.7	111.4	115.1	119.0	121.9	127.9	Meat
110.6	112.7	113.8	115.2	116.3	116.8	Fish
99.5	100.5	103.0	107.1	109.1	112.0	Diary products, cheese and eggs
106.8	111.1	122.4	129.0	136.0	137.8	Oils and fats
96.6	97.7	104.9	121.1	136.5	137.0	Fruits and vegetables
111.0	109.3	119.3	139.7	143.5	138.8	fruits
90.9	93.5	99.4	113.7	135.0	137.8	vegetables
113.7	115.4	115.2	114.0	114.8	117.3	Sugar, jam, honey, chocolate and candies
120.3	121.9	120.5	118.8	119.4	122.5	sugar
106.0	107.1	108.8	107.1	108.5	108.9	Other food products
113.9	114.2	113.9	112.6	111.2	115.1	Soft drinks
107.2	108.1	108.8	109.7	111.6	112.9	Strong drinks and tobacco products
105.5	105.9	105.9	106.3	107.1	107.0	Strong drinks
110.8	113.5	115.8	118.1	123.6	129.0	Tobacco products
109.7	110.1	110.8	114.5	114.9	114.5	Garments and footwear
111.0	111.3	112.7	117.6	118.6	120.4	garments
114.4	114.7	114.7	114.9	115.4	115.7	fabric for garments
111.3	111.4	115.5	120.4	122.7	123.9	garments for men
113.1	113.0	113.2	119.3	119.9	120.9	garments for women
107.6	108.4	108.9	112.8	113.1	116.5	children and newborns garment
111.6	113.4	114.5	115.0	114.9	120.3	cleaning, mending and renting garments
106.8	107.4	106.7	107.9	107.1	101.6	footwear including repair
105.5	106.5	103.0	103.5	101.9	97.2	men footwear
109.6	109.8	110.5	111.3	110.6	103.9	women footwear
104.5	105.6	104.7	107.8	108.0	104.5	children footwear
103.3	103.0	103.0	111.7	112.4	115.6	shoe repair
109.0	110.7	111.4	110.3	114.7	115.5	Housing services, water, electricity, gas and other fuels
100.4	100.4	100.4	100.4	100.4	100.4	rent of dwelling
100.7	106.3	109.1	117.6	124.4	117.9	material for maintenance and repair of living houses
109.5	110.8	111.2	109.0	113.3	115.1	electricity, gas and other types of fuel
106.9	112.0	112.8	110.7	109.6	110.3	gas
104.2	104.9	106.2	107.8	106.9	106.9	Household articles, household appliances
103.6	103.6	103.0	105.5	106.1	106.3	furniture and floor coverings
106.7	106.5	107.6	107.8	107.0	106.8	household textile items
101.3	102.1	104.0	104.2	104.5	105.0	home appliances
102.9	107.3	111.5	112.4	112.6	112.7	glassworks, tableware and household stuff
123.5	122.6	123.8	124.8	123.3	123.1	Health
110.3	111.0	109.8	111.3	111.1	110.9	Transport
105.8	106.9	108.6	108.7	108.8	108.4	purchase of cars
157.4	142.5	131.8	130.7	130.3	131.8	petrol and lubricants
158.9	140.3	128.1	126.8	126.9	129.3	gasoline
161.5	161.5	161.6	162.2	156.3	151.9	diesel
107.9	110.4	108.2	110.5	109.9	109.2	transport services
99.8	99.8	99.8	99.8	99.8	99.8	Communication
118.2	118.5	118.4	121.4	121.4	123.5	Recreation, entertainment and culture
104.8	104.4	104.6	104.6	104.6	104.8	cultural events services
113.8	114.4	113.7	118.1	118.1	122.1	papers, books and stationary
101.3	101.6	105.2	105.9	106.3	105.9	Education
111.3	112.0	112.9	114.0	115.1	116.7	Restaurants and hotels
111.3	112.1	113.0	114.0	115.1	116.8	catering
108.7	108.2	107.6	111.3	111.4	111.4	hotel service
112.1	112.5	114.8	116.4	116.4	118.9	Various goods and services
111.3	111.7	114.5	116.0	116.2	119.1	Personal service

Table 3. Indexes of Prices and Physical Volume of Imports for January to November 2010

<i>Description of goods</i>	<i>11 mon.</i>	<i>11 mon.</i>	<i>11 mon.</i>	<i>Indexes</i>		
	<i>2010</i>	<i>2010</i>	<i>2009</i>	<i>price</i>	<i>phys. vol.</i>	<i>value</i>
	<i>mln. USD</i>	<i>mln. USD</i>	<i>mln. USD</i>			
	<i>n10*p10</i>	<i>n10*p09</i>	<i>n09*p09</i>	A/B	B/C	A/C
	A	B	C			
Petroleum, petroleum-products and analogous materials	821.5	552.0	633.1	1.49	0.87	1.30
Medicaments (including veterinary medicaments)	85.4	69.8	65.4	1.22	1.07	1.30
Cast-iron and steel	84.2	67.1	92.3	1.25	0.73	0.91
Goods cars and and special purpose vehicles	77.4	37.2	38.5	2.08	0.97	2.01
Meat and meat products	67.0	61.3	39.2	1.09	1.56	1.71
Sugar, sugar products and honey	57.6	42.9	55.0	1.34	0.78	1.05
Volatile oils, resoniuds and parfume substances	56.8	69.5	48.6	0.82	1.43	1.17
Crops (including eincorn) and mangcorn (unmilled)	56.7	62.1	58.4	0.91	1.06	0.97
Coffee, tea, cocoa, spicery and their products	51.7	45.7	50.4	1.13	0.91	1.03
Natural gas in gaseous state	48.4	52.9	58.7	0.92	0.90	0.83
Electric wire telephone and telegraph sets	44.1	154.7	28.6	0.29	5.42	1.54
Woofed fabric made of artificial textile materials	43.6	44.6	43.8	0.98	1.02	1.00
Vegetable oils and fats	42.9	38.5	32.1	1.12	1.20	1.34
Paper, cardboard and products made of paper stock	41.4	34.7	40.6	1.19	0.86	1.02
Rubber tires	37.6	28.9	32.3	1.30	0.89	1.16
Non-organic chemical substances	35.9	66.8	71.7	0.54	0.93	0.50
Machinery for sorting and sifting grounds, stone and ores	34.5	21.9	30.0	1.57	0.73	1.15
Coal, coke and briquets	34.4	32.7	22.9	1.05	1.43	1.50
Vegetables and fruit	27.9	24.3	23.0	1.15	1.05	1.21
Footwear with rubber or synthetic sole and upper	25.7	24.5	20.7	1.05	1.18	1.24
Sawed or splited lengthwise conifer wood	24.8	23.1	27.4	1.07	0.84	0.90
Plastics in prime form	24.8	19.6	17.5	1.26	1.12	1.42
Fertilizers	24.1	23.9	15.7	1.01	1.52	1.53
Alcoholic beverages	23.4	20.0	24.3	1.17	0.82	0.96
Imperfect metal products not included into the other categories	21.4	12.6	23.6	1.69	0.54	0.91
Food products and preparations no included into the other categories	21.3	28.6	21.7	0.75	1.32	0.98
Cereals, flour and starch products	20.4	23.3	16.5	0.88	1.41	1.24
Sugar-sweetened mineral water and soft drinks	19.9	19.4	17.3	1.03	1.12	1.15
Mechanical shovels, excavators and scoop loaders	18.3	7.6	14.5	2.39	0.53	1.26
Plastics in unprime form	17.9	15.1	14.0	1.19	1.08	1.28
Coloring and tanning matters and dyes	17.4	14.5	18.9	1.20	0.77	0.92
Compressed wood and restored wood	17.3	15.9	17.0	1.09	0.94	1.02
Light vehicles and vehicles of conveyance of persons	15.5	13.3	12.6	1.16	1.06	1.23
Hand and machine tools	13.5	15.7	7.0	0.86	2.23	1.92
Continuous elevators and conveyors	13.1	1.7	2.1	7.91	0.80	6.32
Electric transformers	12.7	5.1	3.3	2.47	1.56	3.84
Machinery for construction and mining industry	12.0	6.6	8.0	1.82	0.82	1.49
Rice	11.7	8.2	21.7	1.43	0.38	0.54
Bulldozers, graders and levelators	11.6	8.6	13.7	1.35	0.62	0.84
green tobacco; tobacco offals	11.1	11.3	4.8	0.99	2.34	2.30
blouses, slipovers, cardigans, waistcoats and similar clothes	10.9	9.3	7.5	1.17	1.24	1.45
powerdistributing equipment not included into the other categories	10.7	6.3	8.2	1.71	0.77	1.31
Margarine and combined fats	10.4	8.0	10.6	1.30	0.76	0.98
Health care and pharmaceutical products	10.1	9.5	9.5	1.07	1.00	1.06
Nails, external screws, internal screws, bolts, clenches, etc, made of steel, iron or copper	10.0	6.2	10.3	1.60	0.60	0.97
Milk, cream and dairy products, except butter and cheese	9.5	7.7	8.8	1.2	0.9	1.1
Filtering and cleanout machines and equipment for liquids or gases	9.4	2.4	3.4	4.0	0.7	2.8
Different chemical products not included into the other categories	9.4	4.5	8.8	2.1	0.5	1.1
Electric-and-heating equipment not included into the other categories	5.9	5.8	4.3	1.0	1.3	1.4
<i>Nomenclature Total (mln, USD)</i>	2 213.1	1 885.8	1 858.4	1.17	1.01	1.19
<i>Nomenclature Total (% of total imports)</i>	73%		69%			
<i>Import Total</i>	3 019.1		2 688.3			

According to the NSC at FOB prices; the Table demonstrates the first 45 import large items

n - physical volume of goods imports

p - estimated import price of the goods

Table 4. Indexes of Prices and Physical Volume of Exports for January to November 2010

<i>Description of goods</i>	<i>11 mon.</i>	<i>11 mon.</i>	<i>11 mon.</i>	<i>Indexes</i>		
	<i>2010</i>	<i>2010</i>	<i>2009</i>	<i>price</i>	<i>phys. vol.</i>	<i>value</i>
	<i>mln. USD</i>	<i>mln. USD</i>	<i>mln. USD</i>			
	<i>n10*p10</i>	<i>n10*p09</i>	<i>n09*p09</i>			
	A	B	C	A/B	B/C	A/C
Nonmonetary gold	493.5	401.8	356.8	1.23	1.13	1.38
Nonorganic chemical substances	160.9	207.1	220.5	0.78	0.94	0.73
Vegetables and fruit	86.8	110.7	78.3	0.78	1.41	1.11
Petroleum, petroleum-products and analogous materials	62.6	48.4	164.7	1.29	0.29	0.38
Electrical current	45.6	63.0	37.3	0.72	1.69	1.22
blouses, jackets and jacket-blouses	27.5	27.8	21.5	0.99	1.29	1.28
Cotton	21.5	15.4	18.1	1.40	0.85	1.19
Milk, cream and dairy products, except butter and cheese	21.2	21.0	14.3	1.01	1.47	1.48
green tobacco; tobacco offals	20.9	20.1	14.1	1.04	1.43	1.48
incandescent lamps	17.7	18.1	16.6	0.98	1.09	1.06
Trousers, combinations, capris and briefs for ladies	15.0	14.3	8.1	1.05	1.78	1.86
Dresses	14.3	12.0	10.1	1.19	1.19	1.42
Woven or knitted garments for ladies	12.6	15.0	1.5	0.84	9.87	8.32
Skirts and and pants-skirts	8.8	9.1	5.5	0.97	1.64	1.60
Trousers, combinations, capris and briefs for men	8.6	7.8	4.4	1.11	1.75	1.95
Woven and knitted legwear garment	7.4	6.8	2.2	1.08	3.09	3.33
Coats, bum-perishers, capotes, rain-coats and similar clothes	7.0	6.5	3.4	1.08	1.92	2.07
Different imperfect metals used in metallurgy	6.2	4.1	3.7	1.52	1.11	1.69
Meat and meat products	6.0	2.6	1.1	2.36	2.25	5.30
Cheese and curd	5.9	7.6	5.9	0.77	1.28	0.99
Non-metallic mineral products not included into the other categories	5.5	5.6	2.0	0.98	2.80	2.74
Stone, sand and gravel	5.4	6.4	4.8	0.85	1.34	1.14
Sugar-sweetened mineral water and soft drinks	5.4	5.4	4.3	0.99	1.26	1.24
Scrap metal and ferrous metallurgy wastes	5.3	5.1	2.9	1.04	1.72	1.79
Goods cars and special purpose vehicles	5.1	6.3	10.1	0.82	0.62	0.51
Paper, cardboard and their products	5.1	5.4	5.9	0.94	0.92	0.86
Cast-iron and steel	5.1	5.2	0.8	0.98	6.36	6.26
Oil and other fats and butter	5.0	7.4	1.2	0.67	5.97	4.00
Electric wire telephone and telegraph sets	4.8	1.3	0.6	3.62	2.09	7.56
Aluminium	3.5	2.1	1.7	1.63	1.22	1.99
Scrap metals and imperfect metal wastes	3.3	2.9	1.5	1.14	1.94	2.21
Alive animals	3.1	2.5	4.2	1.23	0.60	0.74
jackets and blazers for ladies	3.1	3.3	1.5	0.92	2.27	2.10
Food products and preparations no included into the other categories	2.9	3.9	2.2	0.74	1.76	1.30
Airplanes and other aircraft	2.7	3.2	2.5	0.85	1.29	1.09
Costumes and ensembles for ladies	2.7	2.4	3.2	1.10	0.76	0.83
Coffee, tea, cocoa, spicery and their products	2.6	3.6	3.0	0.73	1.21	0.89
Dishwashers; filling machines; packing machines	2.6	0.5	0.2	5.79	2.71	15.71
Metal reservoirs for storage and transportation	2.5	0.2	0.0	16.09	3.34	53.66
Leather made of solid jacket of cattle stock	2.4	2.9	2.7	0.84	1.08	0.91
Costumes and ensembles for men	2.3	2.3	1.2	1.0	1.9	1.9
Woven or knitted garments for men	2.3	1.9	0.2	1.2	10.1	11.7
Cereals, flour and starch products	2.0	1.7	2.7	1.2	0.6	0.7
Goods cars and special purpose vehicles	1.9	0.8	0.5	2.5	1.4	3.6
Sugar, sugar products and honey	1.9	6.3	0.4	0.3	15.0	4.4
Silver	1.8	1.3	1.5	1.4	0.9	1.3
Lead	1.8	1.5	0.9	1.2	1.6	2.0
Imperfect metal products not included into the other categories	1.8	1.9	1.8	1.0	1.0	1.0
Processed stone for construction and products made of it	1.6	1.8	0.9	0.9	2.0	1.9
<i>Nomenclature Total (mln, USD)</i>	1 134.5	1 100.5	1 047.6	1.03	1.05	1.08
<i>Nomenclature Total (% of total exports)</i>	91%		89%			
<i>Exports Total</i>	1 251.1		1 172.1			

According to NSC at FOB prices without regard to final evaluations; the Table shows the first 46 export large items

n - physical volume of goods exports

p - estimated export price of the goods

Glossary

Core inflation is inflation excluding short-term, structural and seasonal changes of prices. That is, excluded from the calculation of the inflation factor are growth of prices of goods, caused by seasonal or external factors (such as: the bad crop, the price shock in the market of oil products, administrative changes in tariffs for gas and electricity, etc.).

NBKR calculates the core inflation behavior by the method of simple exclusions. The given method means the exclusion from the CPI of specific categories or the whole group of goods and services, whose prices are highly sensitive to shocks. Traditionally, some food products, energy resources and tariffs administratively established by the Government are referred to such goods.

Discount rate is the tool used as the basic reference point when determining the value of monetary resources in the economy. The size of the discount rate is equal to the average value of the yield of 28-day NBKR Notes for the recent 4 auctions on placement of NBKR Notes.

Futures (futures contract) is the agreement on purchase/sale of some asset in the specified amount in the fixed time interval at the price stipulated today. When concluding the future contract, the two parties are involved: the buyer and the seller. The buyer undertakes to buy the asset within the period stipulated, and the seller - to sell within the same period.

GDP deflator is composite index of the economy branches prices, characterizing GDP with regard to growth of prices in the economy. GDP deflator is calculated as the proportion between nominal GDP in prices of the current year against GDP rate of the previous year.

Inflation represents the increase in the general level of consumer prices in the economy. The consumer price index is used to quantitatively estimate the rate of inflation. The CPI shows the change in the price level for the goods and services purchased by the population for non-productive consumption. In the calculations of the price index of buyers of selected 342 goods and services is applied and the size of the sample makes 45 thousand prices a month of 1496 trading enterprises and spheres of services in seven city and two regional centers.

Monetary aggregate is the money supply classified according to degrees of liquidity: M0; M1; M2; M2X.

M0 – currency in hands.

M1 – M0 + demand deposits in national currency.

M2 – M1 + time deposits in national currency.

M2X – M2 + deposits in foreign currency.

Monetary base is money in circulation + deposits of financial institutions with the NBKR in national and foreign currencies.

Money in circulation – the money in circulation less cash held in NBKR.

Non-financial assets include the following categories of economic assets: fixed assets, stocks of tangible current assets, values and non-produced assets (natural and intangible assets).

Notes are the Government short-term securities, issued by the NBKR for the term of 7, 14, 28, 91 and 182 days through the weekly auctions. The yield is defined depending on the supply and the demand among the commercial banks. The goal of conducting the auctions of notes is the withdrawal of liquidity in national currency from the banking system.

“Overnight” credit is given in national currency for one day, for collateral, for maintenance of short-term liquidity of the bank. Government securities of the Kyrgyz Republic placed through the NBKR, with the date of redemption up to 12 months from the date of delivery of the overnight credit are accepted as collateral. The interest rate is set at the rate of 1.2 of the NBKR discount rate. The credit is used on the initiative of the commercial bank.

Producer price index measures the average changes in the sales prices got by the local producers for their output. Information, used in the PPI calculations, is collected from 148 enterprises, which represent almost each branch in the industrial sector of the economy. The list of enterprises combines those most typical for the given industry, characteristic for the given region, and irrespective of patterns of ownership.

Renewable State Treasury Bills for settlement are the coupon securities with maturities of 3, 6 and 12-months, issued by the Ministry of Finance as a result of restructuring the debt of the Government of the Kyrgyz Republic to the NBKR. The renewable nature of these securities means the following: on the day of redemption of ST-Bills(s) in the NBKR portfolio, the Ministry of Finance simultaneously with the redemption issues new series of ST-Bills(s) in favor of in number equal to the number of sinking securities.

Repo Operation – purchases (direct repo)/sales (reverse repo) of government securities with the obligation to sell them back / purchase of a specified date in the future at a predetermined price.

SPOT – transaction is the stock exchange transaction on sale and purchase of the good on hand on the conditions of its immediate transfer.

State budget operating expenditures are all of the operations, which lead to the reduction in the net value of assets of the government sector, except for the operations on purchase of non-financial assets.

State Treasury Bills are the short-term (3-, 6-, 12-month) discount government

securities of the Government of the Kyrgyz Republic. The Ministry of Finance is the issuer of ST-Bills. Issues of ST-Bills are placed weekly and through the NBKR auctions. Direct participants (primary dealers, finance and credit institutions, which concluded the contract with the NBKR) enjoy the right of participation in the auctions. Owners of ST-Bills of the Kyrgyz Republic could be both the legal entities and the individuals. The admission of foreign investors to the market of ST-Bills is not limited. The transactions in the secondary market of ST-Bills are conducted through the electronic trading system of the NBKR, which allows the primary dealers and their clients to conduct the ST-Bills purchase/sale operation from their workplaces.

State Treasury Bonds are the long-term government securities of the Government of the Kyrgyz Republic with the interest income (coupon) and maturity over 1 year. The issuer of ST-Bonds is the Ministry of Finance. The NBKR is the general agent servicing issues of ST-Bonds.

Swap operations – operations on the exchange of funds in national currency in the amount equivalent to the amount in foreign currency or, on the contrary, to the obligation of the reverse exchange of principal amounts and accrued interest on the stipulated conditions.

Abbreviations

CIF	Cost, Insurance, Freight
CIS	Commonwealth of Independent States
CPI	Consumer Price Index
FOB	Free on Board
GDP	Gross Domestic Product
ST-Bills	State Treasury Bills
ST-Bills(s)	State Treasury Bills for settlement
ST-Bonds	State Treasury Bonds
ST-Bonds(s)	State Treasury Bonds for settlement
KR	Kyrgyz Republic
LLC	Limited Liability Company
NBKR	National Bank of the Kyrgyz Republic
NCOSH	Non-Commercial Organizations Serving Households
NFCI	Non-Finance and Credit Institutions
NSC	National Statistics Committee
OPEC	Organization of Petroleum Exporting Countries
POL	Petroleum, Oil, Lubricants
PPI	Producer Price Index
SCC	State Customs Committee
SFRB	Specialized Fund for Refinancing of Banks
USA	United States of America