

Dynamics of monetary indicators in January-June of 2015

In January-June of 2015 the growth rate of the economy (according to the preliminary data of the National Statistics Committee (NSC)) amounted to 7.3 percent (in January-June 2014 - 4.1 percent), excluding production of the "Kumtor" gold-mining company, the growth rate in GDP made 4.4 percent (in January – June 2014 - 3.5 percent).

In June 2015, the annual inflation was 4.5 percent (in June 2014 - 8.5 percent); the core inflation amounted to 7.8 per cent (in June 2014 - 7.0 percent).

From the beginning of 2015, the official exchange rate of US dollar against KGS increased by 5.4 percent and amounted to 62.0788 KGS per 1 US dollar (in January-June of 2014 – by 5.7 percent).

In January-June of 2015, the monetary base increased by 0.9 percent and amounted to 65 062.6 million KGS (in January-June of 2014 it fell by 1.7 percent); particularly, money in circulation decreased by 2.0 percent when the reserves of other depository corporations increased by 23.3 percent.

The structure of the monetary base as of the end of June 2015 is as follows:

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

In the structure of reserves of other depository corporations, obligatory reserves increased by 1.7 percent and amounted to 6,807.6 million KGS, excess reserves increased by 228.8 percent to 2,315.2 million KGS since the start of the year (in January-June of 2014, obligatory reserves increased by 7.9 percent, while excess reserves decreased by 35.9 percent).

Growth in the monetary base was conditioned by Government transactions, which increased it by 6.9 billion KGS in January-June of 2015. On the contrary, transactions of the National Bank decreased monetary base by 6.3 billion KGS.

In January-June of 2015, the monetary base was mainly influenced by the following transactions of the National Bank:

- currency interventions decreased the monetary base by 8.5 billion KGS;
- credit auctions – gross value of funds issued in January-June amounted to 1.5 billion KGS;
- purchase of gold at the domestic market – by 0.2 billion KGS.

In January-June, the National Bank also conducted sterilized transactions (transactions at the open market and “overnight” deposits), which average daily volume amounted to 1.2 billion KGS.

Net foreign assets (NFA) increased by 6.5 percent (or 6,775.0 million KGS) in January-June of 2015, mainly due to the increase in net international reserves (NIS) by 6,156.7 million KGS. The main factor of growth in NIS was cash inflow from development of gold ore fields.

In January-June of 2015, gross international reserves in dollar terms decreased by 2.3 million USD and amounted to 1,960.9 million USD.

Net domestic assets (NDA) decreased by 15.3 percent, or 6,184.3 million KGS in January-June of 2015 (in the same period of the prior year – by 16.9 percent). A decrease in NDA was mainly caused by the decrease of net domestic credit by 8,129.1 million KGS connected with receipt of funds for capitalization of the Russian-Kyrgyz Development Fund (RKDF) and increase of Government deposits (excluding funds of RKDF). Decrease in other items by 2,615.7 million KGS also influenced the decrease in NDA out of which income from exchange rate difference was 2,317.8 million KGS. An increase in NDA was mainly caused by the increase of capital accounts by 4,560.4 million KGS connected with the transfer of NBKR profits to the budget of the Kyrgyz Republic in the amount of 3,777.0 million KGS. In addition, there was transfer of funds of RKDF from the Government accounts to a separate account of RKDF in the structure of NDA, which conditioned the increase of the National Bank obligations towards other financial corporations by 9,274.7 million KGS and contributed to the decrease of Government deposits. In general, disregarding the impact of RKDF funds, Government deposits increased by 5,243.8 million KGS.

Change in monetary aggregates

Monetary aggregate M2, which consists of money out of banks and deposits in the national currency¹, decreased by 4.1 percent in January-June of 2015 and made 78,984.0 million KGS (in January-June of 2014 it increased by 0.5 percent).

Broad money supply M2X increased by 1.0 percent in January-June of 2015 and made 125,777.1 million KGS, which is mainly due to increase of deposits of other depositary corporations by 2.1 percent, to 74,151.1 million KGS (M2X increased by 3.6 percent in January-June of 2014).

The structure of M2X money supply is as follows:

- the share of money out of banks – 41.0 percent (as of July 1, 2014 – 48.9 percent);
- the share of deposits in national currency – 21.8 percent (as of July 1, 2014 – 24.1 percent);
- the share of deposits in foreign currency – 37.2 percent (as of July 1, 2014 – 27.0 percent).

Deposits in foreign currency increased by 11.0 percent and made 46,793.1 million KGS, without regard to the impact of exchange rate – by 5.1 percent, deposits in national currency decreased by 10.2 percent, to 27,357.9 million KGS. As a result, total volume of deposits in January-June of 2015 increased by 2.1 percent and made 74,151.1 million KGS (in January-June of 2014 it increased by 8.4 percent).

As of the end of June 2015, the level of dollarization of deposits to be included in M2X amounted to 63.1 percent, having increased by 5.1 percentage points as compared to the level at the beginning of the current year.

*Credit into economy*² in January-June of 2015 increased by 10.7 percent and made 90,962.5 million KGS, without regard to the impact of exchange rate - by 7.7 percent (in January-June of 2014, the credit into economy increased by 21.1 and 17.4 percent, respectively).

In January-June of 2015, net foreign assets of the banking system increased by 1,507.6 million KGS (by 1.4 percent) and made 110,097.2 million KGS (in the same period of the prior year – by 0.6 percent).

As of the end of June 2015, net domestic assets (NDA) of the banking system amounted to 15,680.0 million KGS, having decreased by 274.8 million KGS or by 1.7 percent (in the same period of the prior year they increased by 24.0 percent).

At the end of June 2015, the discount rate was set at the level of 9.50 percent consistent with the decision of the Board of the National Bank (no change as compared to the level as of the end of May 2015). In this connection, cap and floor of the interest passage on “overnight” credits and deposits remained unchanged at the level of 12.00 and 3.00 percent respectively.

As of the end of June 2015, the yield on 7-day notes amounted to 9.50 percent.

As of July 1, 2015, the multiplier of M2X broad money, which is a degree of financial intermediation, amounted to 1.933, the multiplier of M2 – 1.214 (as of the end of June 2014 – 1.741 and 1.272, respectively).

As of the end of June, coefficient of the economy monetization, calculated based on the M2X monetary aggregate, amounted to 29.2 percent, calculated based on the M2 monetary aggregate – 19.3 percent (as of the end of June 2014 – 32.0 and 23.5 percent, respectively).

Velocity of money circulation

Due to reduction of money supply in economy against observed economic growth, velocity of money circulation increased by 0.1 as compared to the level at the beginning of the current year and amounted to 3.4 at the end of June (on M2X).

Within January-June of 2015, receipt of cash in the cash departments of the National Bank amounted to 29,180.1 million KGS, in comparison with the corresponding period of 2014, the amount decreased by 5,609.8 million KGS, or 16.1 percent, issuances decreased by 5,410.0 million KGS, or 16.2 percent, and amounted to 28 039.4 million KGS.

¹ Deposits of individuals and legal entities, and other financial-credit institutions except for deposits of the Government and non-residents

² Loans to individuals and legal entities, and other financial-credit institutions except for loans to the Government and non-residents

In January-June of 2015, receipt of cash in the cash departments of commercial banks amounted to 467,029.3 million KGS; in comparison with the corresponding period of the previous year, the amount increased by 22,513.5 million KGS, or 5.1 percent, issuances increased by 21,706.4 million KGS, or 4.9 percent, and amounted to 467,224.3 million KGS.

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