

NATIONAL BANK OF THE KYRGYZ REPUBLIC

**MAIN MONETARY POLICY GUIDELINES
FOR 2012-2014**

**Bishkek
2011**

INTRODUCTION

This document specifies the objectives and purposes of the NBKR monetary policy for a medium-term period (2012-2014) including detailed description of monetary policy for 2012 based on the analysis of current economic situation and the forecast of developing the major sectors of economy.

The first chapter of present document covers the analytical review of inflation for 2011¹, current state of economy and basic indicators of financial market as well as anticipated results of monetary policy through the end of the current year.

The next chapter describes the prospects of development of the country economy in the medium-term period of 2012-2014 and specifies the external and internal factors and potential risks. The prospects of economic development and inflation based on formal (program) forecasting and current trends are covered herein as well.

The principles of implementing monetary policy and variants of the monetary program prepared on the basis of program and alternative scenarios of the country's economic development are described in the third chapter. The benchmarks for 2012 are defined herein as well as the information about factors that can hinder achievement of the benchmarks provided. This chapter specifies the areas of the NBKR development, which would improve the NBKR opportunities for developing and implementing monetary policy.

For the purpose of preparing this document, there were used the Ministry of Finance's forecast data on the sector of public finances of the Kyrgyz Republic approved by the Law "On Amendments and Additions to the Law of the Kyrgyz Republic "On Republican Budget for 2011 and Forecast for 2012-2013" dated November 17, 2011 the Draft Law "On Republican Budget for 2012 and Forecast for 2012-2014"; medium-term forecasts of social and economic development of the Kyrgyz Republic approved by the Government Decree of the Kyrgyz Republic on "On Amendments and Additions to the Government Decree of the Kyrgyz Republic "On forecast of Social and Economic Development of the Kyrgyz Republic for 2012 and Forecast for 2013-2014" dated September 13, 2011, the draft program for the country's medium term development approved by the Government Decree of the Kyrgyz Republic "On Approval of the Project of Medium Term Development Framework (MTDF) of the Kyrgyz Republic for 2012-2014" dated September 8, 2011; the 2011-2014 Memorandum of Economic and Financial Policy for the Program Supported by the Extended Credit Facility approved by the IMF Executive Board of Directors on June 2, 2011.

¹ There have been used actual data for 2011 that were available at the time of preparation of the document: monetary data – 11 months, banking sector – 10 months, real and external sector – 9 months.

1. REVIEW OF ECONOMIC AND MONETARY POLICY DEVELOPMENT THROUGH THE END OF THE CURRENT YEAR

1.1. Review of Economic Conditions Development and Expected 2011 Outcomes

1.1.1. Real Sector of Economy

In 2011, against the restoration of political stability there was a growth in economic growth rates in the country.

According to preliminary data for nine months of 2011, the GDP volume in current prices amounted to Som 189.3 billion having increased in real terms by 8.7 percent as against the comparable indicator of 2010 (in January-September 2010, the GDP volume decreased by 1.2 percent). Excluding the Kumtor gold mining enterprises, the GDP volume in January-September 2011 increased by 6.8 percent, while during the comparable period of 2010 similar indicator decreased by 2.3 percent. As a result of 11 months of 2011, the GDP deflator made 18.6 percent against 6.6 percent in January-September 2010.

The major contribution to GDP by sectors was made by industry companies (4.6 p.p.), mainly by increasing production at plants of the “Kumtor” gold mine deposit; the growth of production and distribution of electricity, gas and water. In addition, a significant contribution to GDP growth in January-September 2011 was made by the service entities (2.2 p.p.).

There has been a reconstruction of agricultural production. According to preliminary data, the first nine months of 2011 have recorded a moderate growth: gross output of agricultural products in January-September 2011 against the comparable indicator of 2010 increased by 2.5 percent against its decrease to 1.7 percent in 2010. As of October 1, 2011 there have been harvested grain and leguminous crops (including corn) for 6.4 percent more than in the corresponding date in 2010, the yield of grain and leguminous crops made 25.6 quintals per hectare. On October 1, 2011 the harvesting campaign is completed by 91.9 percent.

According to preliminary data for the first nine months of 2011 the level of investments in the fixed assets increased by 5.0 percent against the comparable indicator of 2010 and amounted to Som 31.0 billion, while in January-September 2010 the volume of investments in fixed assets decreased by 21.7 percent.

In the structure of sources of investment financing in the fixed assets in January-September 2011, domestic investments, which occupy the largest share in total investments, decreased by 4.3 percent, while investments from external sources increased by 1.4 times against the comparable indicator of 2010. In January-September 2011 domestic investments were mainly financed by the enterprises and organizations, funds of the population and republican budget. The main objects of domestic investments in January-September 2011 were business partnerships and companies with foreign participation in equity, private housing construction whose growth is observed, in particular, in Chui and Osh regions, in cities of Bishkek and Osh.

In January-September, 2011 in the sectoral structure of investments in the fixed capital, the largest share was accounted for transport and communications – 26.1 percent (reconstruction of roads “Taraz-Talas-Suusamyр”, “Bishkek-Naryn-Torugart”, “Bishkek-Kordai”, “Osh-Irkeshtam”, “Osh-Isfana”; rehabilitation of roads under the project “Improvement of Regional Road Corridor”) and mining industry – 21.6 percent (investing in Kumtor gold mining enterprises).

Table 1. Investments in the fixed capital by sources of financing

	million KGS		percentage to the previous year	
	Jan-Sep 2010	Jan-Sep 2011	Jan-Sep 2010	Jan-Sep 2011
Total	24 905.2	31 014.6	97.3	105.0
Internal Investments	19 419.3	21 952.3	101.1	95.7
Republican budget (including funds intended for emergencies)*	1 399.7	3 259.7	28.9	200.0
Local budget	385.8	299.6	106.9	66.5
Funds of enterprises and organizations	8 578.3	9 916.2	132.9	98.8
Bank credits *	2 208.0	71.2	in 84.4 t.	2.7
Population assets	6 847.5	8 405.6	90.7	102.9
External investments	5 485.9	9 062.3	86.0	140.0
Foreign credits	2 790.4	6 228.4	70.0	180.0
Foreign direct investments	1 860.4	1 987.2	107.1	90.0
Foreign grants and humanitarian aid	835.1	846.7	127.8	87.5

* - In 2010, the sources of investments of the Development Fund of the Kyrgyz Republic were reclassified from the article "The Republican Budget" into "Bank Credits". In 2011, the funding for these investments was returned to the article "The Republican Budget".

In the first half of 2011² the level of final consumption increased by 6.6 percent as compared to similar indicator for January-June 2010 against 3.5 percent growth in January-June 2010. Gross investments in January-June 2011 rose by 6.6 percent, while the same index in the first half of 2010 fell by 9.8 percent. In view of the substantial dependence on import for consumption, as a result of the first half of 2011, domestic demand (the sum of final consumption expenditures and gross investment) stimulated the growth of imports by 10.6 percent.

Economic development of Kyrgyzstan until the end of this year is expected to maintain stable conditions in the development of key sectors of the economy, the stability conditions of trade with countries-main trading partners and the lack of price shocks on world commodity markets. Steady growth in domestic demand by expenditures is expected in the structure of GDP, supported by inflows of remittances to individuals and other factors that stimulate consumption. The greatest contribution to GDP growth in 2011 is expected in the service sector and industrial production. In agriculture, a moderate growth in production is also expected on the background to maintain economic and political stability in the country.

Overall, the GDP growth of Kyrgyzstan in 2011 is estimated at 7.4 percent, the GDP deflator is expected to reach 16.0 percent, while nominal GDP will amount to Som 264.3 billion. It is expected that the inflow of remittances by the migrant workers in 2011 will be 20.1 percent higher than in 2010.

According to the forecast of the Ministry of Economic Regulation in 2011 the GDP growth is expected at 6.7 percent, the GDP deflator is forecasted at 14.0 percent. Thus, nominal GDP in 2011 is expected to reach Som 258.0 billion.

1.1.2 Fiscal Policy

In 2011 fiscal policy was aimed at improving governance and public financial management, an increase of internal resources and reforming of the social benefits system.

² Reference to earlier period is due to lack of data for January-September 2011.

In the state revenues policy in 2011 attraction of additional revenue in the budget was carried out mainly by improving of state property management, strengthening the financial discipline for returning previously issued budget and foreign loans, attraction of additional external resources for budget purposes.

Government expenditures in 2011 were directed mainly at improving the social safety net for the population. The government of the Kyrgyz Republic has taken a number of regulations to increase the wages to employees working in education (an average in 3 times), health (an average in 2 times), science and culture (an average in 3 times) and pensions (the basic component of pension is increased by 50.0 percent or Som 500). As a consequence, costs and state budget deficit have increased. Thus, in the first ten months of 2011 the state budget deficit made 2.9 percent of GDP or Som 6.3 billion. In this case, excluding official transfers received, the state budget deficit constituted 5.6 percent of GDP or Som 12.2 billion.

Total revenues of the state budget for January-October 2011 amounted to 28.5 percent of GDP or Som 61.4 billion (compared to the same period in 2010 the growth rate increased by 28.0 p.p., reaching 32.3 percent), which includes the receipt of tax revenues amounted to 19.6 percent of GDP or Som 42.3 billion.

Total expenditures of state budget for January-October 2011 amounted to 31.4 percent of GDP or Som 67.7 billion, having increased by 29.3 percent compared to the same period in 2010.

According to the Kyrgyz Republic Law “On Amendments and Additions to the Law of the Kyrgyz Republic “On Republican Budget for 2011 and Forecast for 2012-2013” dated November 17, 2011, as a result of 2011, the budget deficit is expected to reach 8.1 percent of GDP. According to the forecast of the National Bank, the government deficit is projected to reach 5.6 percent of GDP.

1.1.3. Balance of Payments

As a result of 2011 the deficit of current account is expected at the level of 8.6 percent of GDP. Further development of the growth dynamics of trade balance deficit and balance of services recorded during 9 months of 2011 is expected to continue till the end of the year. Meanwhile, the revenue balance deficit will slightly decrease. The existing deficit on these items will not be covered by cash flow under “current transfers”, despite the fact that the latter will grow by 28.8 percent.

Lack of funds will be financed through foreign direct investments, as well as from the proceeds on program and project loans and grants.

As a result, the balance of payments will be formed positive in the amount of 187.3 million USD. The volume of gross international reserves will cover 4.2 months of future imports of goods and services as the end of 2011.

Indexes of Real and Nominal Effective Exchange Rates of Som

According to the preliminary data, the nominal effective exchange rate (NEER) of Som increased by 1.2 percent year to date and amounted to 117.6 as of the end of September. The increase was caused by a strengthening of Som in relation to US dollar, Kazakh tenge, Russian ruble in September 2011 compared with the average rate for December 2010. At that, the decrease was caused by a devaluation of Som against euro and Japanese yen.

Along with strengthening NEER of Som, lower inflation level in the partner countries stipulated the growth of the index of real effective exchange rate (REER), which in December 2010 increased by 2.7 percent and amounted to 114.3 at the end of September 2011.

Table 2. Exchange rate key indicators

	year (average)				month to the beginning of the year (end of month)				month (end of month)				
	2008 (av.)	2009 (av.)	2010 (av.)	%	December 2010	September 2011*	%	December 2010	September 2011*	%			
REER	104.9	109.6	104.8	4.4	↓	111.3	114.3	2.7	↑	105.3	114.3	8.6	↑
NEER	127.4	130.2	119.7	2.2	↓	116.2	117.6	1.2	↑	117.8	117.6	-0.1	↓
RBBER to Chinese yuan	162.9	147.1	142.2	-9.7	↓	147.5	148.6	0.8	↑	142.3	148.6	4.4	↑
NBER to Chinese yuan	109.7	91.8	85.0	-16.3	↓	81.6	81.7	0.1	↑	83.2	81.7	-1.9	↓
RBBER to euro	125.8	119.8	125.0	-4.8	↑	133.8	136.1	1.7	↑	128.4	136.1	6.0	↑
NBER to euro	82.0	73.9	72.3	-9.9	↓	70.8	70.0	-1.2	↓	72.6	70.0	-3.6	↓
RBBER for Kazakh tenge	104.9	109.6	104.8	4.4	↓	111.3	114.3	2.7	↑	105.3	114.3	8.6	↑
NBER to Kazakh tenge	110.6	115.3	107.7	4.3	↓	105.4	109.6	4.0	↑	105.7	109.6	3.7	↑
RBBER for Russian ruble	74.9	78.4	70.5	4.8	↓	75.0	75.6	0.8	↑	71.1	75.6	6.4	↑
NBER for Russian ruble	115.0	125.7	112.2	9.3	↓	111.8	113.1	1.2	↑	111.8	113.1	1.1	↑
RBBER to USD	184.4	167.6	166.8	-9.1	↓	178.8	189.6	6.0	↑	167.3	189.6	13.4	↑
NBER to USD	130.6	111.3	103.9	-14.8	↓	101.6	105.9	4.3	↑	101.9	105.9	3.9	↑

* Preliminary data

↓ - обесценение сома, улучшение конкурентоспособности

↑ - укрепление сома, ухудшение конкурентоспособности

1.1.4. Main Financial Market Indicators

During 10 months of 2011 there was a stable situation in the financial market. The main indicators of financial market showed moderate growth, with increased liquidity in the banking system. In January-October was an increase in profitability in all segments of the government securities market, meanwhile, Treasury bills of the Ministry of Finance and notes of the National Bank were in the greatest demand.

Investors interest in GT-Bonds remained low because of short-term resources of the banks which are major bidders. During 10 months of 2011, the Ministry of Finance placed GT-Bonds in the amount of Som 1.3 billion. Demand for securities was low, as a result of which the yield of GT-Bonds has remained relatively high and averaged 18.7 percent over the period, having increased by 3.2 percentage points as compared to the same period of 2010. The volume of GT-Bonds in circulation amounted to Som 3.2 billion at the end of October, having exceeded the corresponding figure at the beginning of the year at 70.9 percent.

For ten months of 2011, the Ministry of Finance placed GT-Bills totaling to Som 3.6 billion which is 21.0 percent higher than in 2010. While the GT-Bills proposal ranged from 270.0 to Som 615.0 million per month, reaching its maximum value in March. At the end of October 2011, the volume of GT-Bills in circulation amounted to Som 3.6 billion, having increased by 27.0 percent from the beginning of the year. The average monthly yield of all types of GT-Bills reached 16.0 percent, having increased by 5.9 percentage points in comparison with January-October 2010.

In January-October 2011, on the notes primary market NBKR supported average emission volumes for the amount of Som 2.7 billion in accordance with the objectives of monetary policy. In most conducted auctions, supply volume exceeded demand volume and the yield of securities increased. In the reporting period of 2011, the National Bank placed notes in the amount of Som 18.4 billion, having increased their volume in 2.6 times in comparison with the same period of 2010, and demand volume amounted to Som 21.9 billion for the period, having increased almost in 2 times. The average weighted yield for the period made 8.7 percent, which is 6.5 percentage points higher than that of 2010. At the end of October, the volume of NBKR notes in circulation was equal to Som 1.7 billion, having increased in 2.6 times since the beginning of the year.

At the end of October 2011, the volume of the deposit base of commercial banks amounted to Som 38.0 billion, having increased from the beginning of the year by 11.4 percent.

This increase was due to the growth of deposits in national (by 15.6 percent to Som 18.9 billion) as well as in foreign currency (by 7.6 percent to Som 19.1 billion in the equivalent).

The average weighted interest rate for newly accepted deposits in the national currency increased by 2.2 percent as compared to 10 months of 2010 (+0.2 p.p.), on foreign currency deposits amounted to 0.9 percent during the period, having decreased by 0.3 percentage points.

Positive growth trend of credit portfolio was marked in January-October 2011. Following the relatively low growth base in the first quarter, there was a slight increase growth in the coming months. These changes were mainly due to increase in Som component of the loan portfolio.

The credit portfolio of the operating commercial banks increased by 15.8 percent for 10 months of 2011 and made Som 30.5 billion as of the end of October (in January-October 2010, the credit portfolio increased by 6.0 percent). The growth of crediting was ensured due to 22.0 percent increase in Som crediting, and in foreign currency by 10.9 percent. Without regard to the impact of exchange rate changes, the increase in credit portfolio amounted to 17.8 percent in January-October 2011, at the same time the increase in foreign currency credits made 14.5 percent.

In January-October 2011, the average weighted interest rate for credits in the national currency newly issued by banks amounted to 23.6 percent, having decreased by 0.2 percentage points against similar indicator for 2010; the rate of foreign currency credits decreased by 0.3 percentage points to 19.6 percent.

At the same time, the activity of NBFI in the crediting market remained high. For the first half of 2011 their total credit portfolio increased by 26.0 percent and amounted to Som 14.0 billion, which amounted to 32.8 percent of the total volume of credits in economy (as of the beginning of the year, its share amounted to 29.6 percent).

1.2. Expected Monetary Policy Implementation Outcomes

1.2.1. Review of Monetary Indicators and Forecast Through the End of 2011

In view of the promising signs of economic growth in 2011, the NBKR moderately conducts a tight monetary policy to soften the impact of the growing state budget deficit foreseen for 2011, for general price level. Within 11 months of 2011 the NBKR increased the amount of sterilization of excess liquidity: the volume of the NBKR notes in circulation averaged made to Som 1253 million and increased in 2.6 times: from Som 667.9 million at the beginning of the year to Som 1722.2 million at the end of November, the volume of repo transactions on withdrawal of liquidity has increased almost in 5 times and amounted to Som 378.8 million at the end of November. As a result of the NBKR restrained participation in the interbank foreign exchange market, net sales of US dollars made USD 138.9 million for 11 months of 2011. The US dollar exchange rate during this period decreased by 0.6% (in the same period in 2010 increased by 6.28%).

Thus, as a result of 11 months of 2011, the monetary base increased by 3.4 percent, broad money M2X increased by 9.8 percent, credit in the economy from the banking sector increased by 19.9 percent.

The NBKR discount rate increased from 5.5 percent to 13.59 percent for 11 months of 2011. The volume of issued overnight credits increased and amounted to Som 3905.5 million (Som 2529 million for 2010).

Until the end of 2011 the NBKR will continue the direction of monetary policy, which should help to keep the increase in the monetary base not more than 18 percent, with an expected substantial increase in government spending at the end of the year.

Money Supply Formation Sources

In 2011, the National Bank and the Government continued to encourage lending, which started in 2010, to the economy through the Special Fund for Banks Refinancing. The Government increased the expenditures of state budget including the expenditures for social support of the population, reconstruction of destroyed objects in the south, conducting a referendum and parliamentary elections. As a result of 11 months of 2011, the growth rates of monetary aggregates decreased against the comparable indicator for January-November 2010:

	for 11 months of 2011	for 11 months of 2010
✓ money outside banks M0 –	6.0 percent;	14.0 percent
✓ broad money M2* –	7.9 percent;	13.8 percent
✓ broad money M2X*–	9.8 percent;	10.9 percent

**according to the preliminary data*

As a result of 11 months of 2011, contribution of the NBKR net foreign assets (NBKR NFA) to the monetary base increase amounted to 9.1 percent (in the comparable period of 2010 – 25.5 percent). The main contribution to the NBKR NFA was made by the increase in foreign assets (+3.4 percent), a decrease in foreign liabilities (+3.4 percent), increase in gold price (+2.3 percent). The largest revenues from gold mining companies for the amount of USD 146.9 million and Transit Center for the amount of USD 60 million are the most significant domestic sources to the NBKR NFA. In January-November 2011 external funding amounted to USD 83.8 million.

The NBKR net domestic assets (NBKR NDA) for 11 months of 2011 decreased the monetary base, and the NBKR NDA contribution to its reduction was estimated at (-) 5.6 percent (in January-November 2010 the NBKR NDA contribution to the monetary base decrease made (-) 16.1 percent).

Net foreign assets of the banking system (NFA BS) for January-November 2011 influenced on the increase in broad money M2X with contribution of (+) 7.4 percent, whereas in the comparable period of 2010 the contribution made (+) 16.2 percent. The main contribution to the NFA BS was made by the “claims to non-residents”.

Net domestic assets of the banking system (NDA BS) for 11 months of 2011 increased the broad money and the NDA BS contribution to the change in broad money M2X was estimated at (+) 2.4 percent (NDA BS contribution to its reduction was estimated at (-) 5.3 percent in the comparable period of 2010). The main contribution to the NDA BS were made by the items “Claims to other sectors” with contribution (+) 7.9 percent and “Capital account” with contribution (+) 4.0 percent to its reduction on the items “Others” with contribution (-) 8.9 percent and “Government deposits” with contribution (-) 1.8 percent.

As of the end of November 2011 the structure of broad money M2X changed as compared to the beginning of the year as follows:

- the share of money outside banks decreased from 59.9 percent to 57.2 percent;
- the share of deposits of other deposit corporations increased from 40.1 percent to 42.8 percent.

Herewith, the deposit structure changed towards an increase in the share of other deposits in the national currency (from 13.2 to 16.0 percent), at reducing the proportion of transferable deposits in national currency (from 31.1 to 28.7 percent). The share of foreign currency deposits in deposits included in the structure of broad money slightly declined (from 55.7 to 55.3 percent).

Accordingly, the multiplier M2X increased from 1.42 at the beginning of 2011 to 1.51 on December 2. According to the preliminary data, it is expected that the growth rate of broad money M2X at the end of 2011 will not exceed 21 percent, mainly due to the increase of money

outside banks at the expense of expected substantial costs of the Government of the Kyrgyz Republic.

1.2.2. Inflation Factors and Achieving Quantitative Target for Monetary Policy

High inflationary background formed in mid 2010 remained in the first half of 2011 (in June 2011, CPI inflation was 22.7 percent against 3.6 percent during the same period in 2010). However, the process of significantly slowdown of growth in consumer prices began from July 2011. According to the preliminary data of NSC KR, on November 23, 2011, annual inflation constituted 7.0 percent. In annual terms, the prices of food products increased by 6.7 percent, for alcoholic and tobacco products – by 10.5 percent, for non-food products – by 7.8 percent as well as prices and tariffs for paid services to the population – by 11.7 percent.

The value of core inflation, as a result of October 2011 was higher than the level of CPI. Thus, according to the NSC KR data the core inflation in annual terms amounted to 12.2 percent, whereas the inflation measured by the CPI – 9.5 percent. These figures of the core inflation indicate that on the whole for Kyrgyzstan's economy there is formed relatively high inflationary background.

On the whole, the following key factors can be identified in the current price dynamics:

- A significant slowdown in domestic prices for basic foods (bread and cereals, fruits and vegetables, sugar);
- Deceleration in growth rates of price increase for industrial goods;
- Moderate growth in the cost of fuels and lubricants;
- A slight change of tariffs for housing and communal utilities;
- A high proportion of state budget expenditures for current consumption which are a major source of money supply growth, as well as irregular expenditure of budget during the year.

Based on actual data for the previous period, as well as assumptions about future price changes on different groups of goods, inflation in annual terms (December 2011 to December 2010) is estimated about 6.0 percent.

2. PROSPECTS OF ECONOMIC DEVELOPMENT FOR 2012-2014

2.1. Internal and External Factors and Possible Risks

The *external factors*, which can impact on the macroeconomic situation in the country, include:

- instability in the world economy

Actually the financial problems in some EU countries, the economic slowdown in the USA can become a prerequisite for the development of a second wave of financial crisis.

- unsolved problems of global food safety

According to the October report of the UN FAO, food prices in the medium and long term perspective will increase against the background of a rapidly growing consumer demand, population growth and growth prospects in the biofuels sector. UN FAO identifies such factors of possible increases in food prices as abnormal climatic conditions, economic growth in some major developed countries is increasing the pressure on the price of oil and fertilizer on the background of the intensive use of natural resources, growing demand for food in the futures market as speculation results and portfolio diversification.

- deteriorating terms of trade with major trading partners

The second wave of financial crisis may cause worsening of trading conditions with the countries-main trading partners, which will appear as a decline in output of export-oriented sectors of the economy (industry and services), which would weaken the national currency by reducing the inflow of foreign currency through exports. Consequently, the rising cost of imports will result an additional inflationary pressures in the economy.

Both excessive growth and rapid decline may have a negative impact on prices of basic commodities (energy carriers, food, non-ferrous metals, etc.) as the economic situation in Kyrgyzstan is largely dependent on the economic development of the countries-main trading partners (Russia, Kazakhstan), whose economy, in turn, is largely influenced by the situation in world commodity markets.

- dependence on the volume of remittances of migrant workers

The growth of economic activity is largely due to growth in domestic demand (the sum of final consumption expenditure and gross capital formation) conditioned by an increase in remittances of labor migrant. The decline in remittances increases the risk of instability and volatility of economic growth, conditioned by the influence of external factors (first of all - economic development of migrant recipient countries).

- failure to receive planned volumes of foreign investments

In the medium term most of the state budget deficit will be covered by external borrowings. If received external borrowings are not in full, there is a risk that the government won't fulfill its expenditure obligations.

- incompleteness in determining the conditions of joining the Kyrgyz Republic to the Customs Union

Joining of the Kyrgyz Republic to the Customs Union before the completion of the procedure of entering Russia to the WTO may put pressure on inflation in the country. Prices in the countries of Customs Union may start to "flatten out" to the maximum or to average prices, which will certainly affect the growth of prices in the domestic market of Kyrgyzstan.

On the other hand, the positive trend in increasing of trade turnover of the Kyrgyz Republic with the countries of the Customs Union indicates the continued competitiveness of national production. Russia's accession to the WTO should lead to a reduction of the duties within the Customs Union, which generally serves the interests of the Kyrgyz Republic and should serve as a deterrent to inflation. But much will depend on the outcome of negotiations of the Kyrgyz Republic with the countries of the Customs Union in respect of wage scales for each of the exported goods.

The *internal risks* include the following:

- unsolved problems of high import dependence of the economy

According to the food balance sheet, many basic food commodities have low domestic production that covers part-time consumption, which leads to high dependence on import. Prices of imported goods are characterized by high uncertainty of future development and not amenable to internal management tools. In this case, the internal dynamics of prices are more affected by external shocks.

- uncertainty in tariff policy

At present, position of the Government of the Kyrgyz Republic about mid-term tariff policy is still unknown. Moreover, the quarterly increase in purchase prices of gas from Uzbekistan, as well as maintaining a high level of losses in the energy sector create the preconditions for the increase in tariffs for industrial and private sector.

- changes in the tax policy of the Government

The draft Law “On Republican Budget For 2012 and Forecast For 2013-2014” provides the following measures: a) transfer of the majority of imported goods from the valuation system based on the basis weight to a price basis; b) increase the excise tax on certain types of alcoholic beverages, tobacco products; c) cancel the exemption from the sales of electricity, heat and natural gas for commercial enterprises. Frequent changes in tax policy contribute to a significant amount of uncertainty in the pricing process and reduce the role of the government in curbing inflation.

- maintaining a high level of budget deficit

According to the draft Law “On Republican Budget For 2012 and Forecast For 2013-2014”, the government budget deficit in 2012 is forecasted at 5.9 percent of GDP, in 2013 – 6.6 percent of GDP, in 2014 year – 6.1 percent of GDP. Thus, the process of fiscal consolidation is not expected in the medium term period which increases the risk of a significant growth in inflationary pressures on the economy.

2.2. Development of Economy

In 2012 the GDP provides for the stability of the external economic environment and the socio-political situation in the country. In this case, given the high statistical base in 2011, it is expected that real GDP growth will slow down in 2012 and make 4.5 percent. The GDP deflator in 2012 is projected at 6.0 percent, so in nominal terms the GDP volume will make Som 292.7 billion in 2012. The main contribution to GDP growth in 2012 is expected from the service industries (2.3 p.p.), construction (0.7 p.p.), industry (0.6 p.p.) and agriculture (0.5 p.p.).

GDP growth from the use in many respects will be provided with the growth in consumption and investments in the economy. Inflows of individual money transfers will continue to promote the sustained growth in domestic demand (the sum of final consumption expenditure and gross capital).

As to 2013 and 2014 the GDP real growth rate calculated based on the estimates of the long-term capabilities of economic development will be formed at the level of 5.0 percent, on the assumption of shocks and other disturbances absence, that in nominal terms will make Som 329.6 and 373.5 billion accordingly.

Table 3. Evaluation of GDP growth for medium term (NBKR forecast)

	fact	forecast			
	2010	2011	2012	2013	2014
Agriculture	-2.8	4.0	2.5	3.0	4.0
Industry	9.9	13.0	3.0	3.5	4.0
Construction	-22.8	10.0	12.0	15.0	10.0
Services	-1.8	6.0	5.0	5.0	5.0
Net tax on products	-1.4	7.4	4.5	5.0	5.0
GDP	-1.4	7.4	4.5	5.0	5.0
Deflator, percent	6.9	16.0	6.0	7.2	8.0
Nominal GDP, million KGS	212 177.4	264 291.7	292 738.8	329 355.6	373 366.9

Excluding reforms					
	fact	forecast			
	2010	2011	2012	2013	2014
Agriculture	-2.8	3.8	3.5	3.5	3.5
Industry	9.9	10.1	8.3	4.2	4.4
Construction	-22.8	5.5	13.6	15.7	15.6
Services	-1.8	6.5	6.0	5.9	6.0
Net tax on products	-1.4	6.7	6.6	5.8	6.0
GDP	-1.4	6.7	6.6	5.8	6.0
Deflator, percent	6.9	14.0	7.8	7.5	7.5
Nominal GDP, million KGS	212 177.4	257 957.1	296 446.9	337 280.9	384 426.7
Including reforms, MDP 2012-2014					
Agriculture	-2,8	3.8	3.5	4.2	4.2
Industry	9,9	10.1	8.9	5.1	4.7
Construction	-22,8	5.5	24.6	24.3	24.2
Services	-1,8	6.5	6.7	8.0	7.3
Net tax on products	-1,4	6.7	8.0	8.2	7.9
GDP	-1,4	6.7	8.0	8.2	7.9
Deflator, percent	6,9	14.0	9.4	8.6	8.8
Nominal GDP, million KGS	212 177,4	257 957.1	304 781.4	358 134.0	420 432.1

In compliance with the Kyrgyz Republic Law "On the Republican Budget For 2012 and Forecasts For 2013-2014" in the medium term a gradual increase in the budget deficit is forecasted from 5.9 percent of GDP in 2012 to 6.1 percent of GDP in 2014. Sufficiently high level of state budget deficit in the medium term can entail the problems of debt and general macroeconomic nature.

With view of ensuring macroeconomic stability in the medium and long term, the budgetary policy will be oriented at creation of the conditions for enhancing efficiency and competitiveness of the economy and at improvement of investment climate as well as achievement of macroeconomic goals.

In the medium-term period the fiscal policy will be oriented at addressing the following problems:

- improving tax and customs administration, expanding the tax base while reducing the tax burden of business entities, reduction of the shadow economic activities;
- improving the efficiency of resource management budget and cost optimization in particular by reducing non-priority spending budget;
- proceeding the implementing close coordination of monetary and fiscal policies.

Balance of payments forecast for 2012 assumes a gradual improvement in the current account, which is based on the assumption of the stabilization of the trade balance and the preservation of the dynamics of income growth in current transfers. Thus, on the basis of 2012, the nominal volume of the current account deficit is projected at 2011, while its percentage level to GDP will decrease to 7.7 percent.

The trade balance deficit, as before, will have a decisive influence to formation of the current account deficit, which on the results of 2012 will increase by 7.3 percent and make USD 1.1 billion. Export and import supplies are forecast to increase.

As before, gold will be the main export item, which cost volume will increase by 12.9 percent; this will be conditioned by 9.2 percent increase in physical volume of supplies and by USD 1770 per ounce increase in the world price. At the same time, taking into account the forecasted growth of agriculture and industry of the country, an increase in export supplies of vegetables and fruits, apparel and clothing accessories, tobacco, cement, glass, etc. is forecasted.

As to the goods imports, a 7.5 percent decrease in supplies of energy products mainly conditioned by USD 96 per barrel in stabilization of prices for petroleum in the international markets is forecasted.

In the forecast period is expected to maintain the dynamics of income receipts in current transfers, the volume of which will reach USD 2.0 billion. Increase in currency receipts in current transfers, as in previous years, will ensure the growth of remittances of trade migrants to 19.0 percent. Along with this, the volume of official grants is projected to decline to 47.0 percent.

Financing the current account deficit will be funded by financial support from the international community in the form of state loans and grants totaling up to USD 330.0 million, foreign direct investment at about of USD 4000 million, as well as by loans raised by the private sector to USD 100 million.

On the whole, as a result of 2012 negative balance of payments is forecasted and the level of coverage of future imports of goods and services by international reserves will fall to 3.6 months.

The balance of payments forecast for the medium term suggests a more dynamic growth of exports of goods that will provide an increase in gold supplies, electricity, agricultural products and light industry products. Dynamics of import growth over the medium term will be reduced, but remain at a high level. As before, the volume of currency receipts from trade migrants will be significant, their annual average growth is forecasted at 25.0 percent. As a result, the current account deficit over the medium term will not exceed 8.0 percent of GDP. In addition, the reduction of external financing in the form of program loans and grants is expected. In general, the overall balance of payments over the reporting period is expected to be positive, at that the criterion of adequacy of reserve assets to cover imports of goods and services will be at a safe level.

2.3. Inflation Forecast

Value of inflation in 2012 is expected to be around 8-9 percent with a moderate increase in food prices, reduced of the accumulated inflation expectations of the population and the absence of any significant external and internal shocks, supply and demand.

Forecast for 2012 is based on the forecast indicators of monetary component in accordance with the Memorandum of Economic and Financial Policies for 2011-2014. However, currently the Medium-term Economic Program of the Government and parameters of state budget have not adopted yet; also, there is no more detailed information on tariff and investment policy in the proposed medium term.

For reference: According to Annex to the Memorandum within the IMF program, supported by the Extended Credit Facility (ESF) (November 2011), inflation in 2012 is estimated at 7.5 percent.

Aside from saving factor depending on the pricing environment, domestic price situation will be determined, largely, by such factors as structural reform of the agricultural sector, increasing productive capacity and competitiveness of domestic goods, changes in the external position of the country, including accession process of entering the Customs Union, the balance between supply and demand of goods and services, administrative fees imposed. The impact of monetary factors of inflation will occur to a greater extent at the expense of budget deficit indicators of public finances. It should be noted that the risks of inflation will fall in case of even state budget spending during the fiscal year.

Over the last years, the dynamics of consumer prices shows that significant variations of inflation were due, to a greater extent, to food price volatility. In addition, the prices for non-food products, alcoholic beverages, tobacco products and services³ maintain a stable positive dynamics that generally forms the base level of the inflationary background in economics.

The inflation dynamic will also depend on the degree of price adjustment for imported goods in the domestic market in connection with fluctuations of the national currency exchange rate and expectations as to its further dynamic.

In the absence of shocks, the 2013 inflation is estimated within the range of 7-8 percent; for 2014 – below 7.0 percent.

³ Since 2007, each year in December, the total contribution of changes in prices for these goods and services in the annual inflation rate varies between 4-10 percentage points. This suggests that in 2011 the contribution of these factors in the rate of inflation over the year will be formed at this level, without taking into account additional contribution of food price dynamics.

3. ENVIRONMENT FOR IMPLEMENTATION OF MEDIUM-TERM MONETARY PROGRAM

3.1. Monetary Policy Objective

Dynamics of consumer prices observed in recent years shows that significant fluctuations in inflation were due, to a greater extent, to non-monetary factors, namely volatility in food prices, mainly due to price fluctuations in world commodity markets. The Kyrgyz Republic Government and the NBKR made their contribution to economic growth. Their efforts were aimed at developing and realization of economic policy arrangements to restore macroeconomic stability. The overall price level simultaneously decreased, but the situation with inflation still requires close attention.

In the conditions of pro-cyclical fiscal policy, as well as the expected inflow of foreign currency into the country in the form of remittances and receipts from international organizations and donor countries, the NBKR's actions in the medium term will be aimed at curbing monetary factors of inflation. The National Bank's related task is the implementation of joint plans of the Government and the National Bank to create the basic conditions for sustainable economic development.

In 2012-2014, the quantitative benchmark of the NBKR monetary policy is to reduce inflation to 8 percent on the average for the period: 9-8, 8-7, 7 percent, respectively. In this case, the priority is to develop adequate inflation expectations and restore confidence in the banking system.

Improving the effectiveness of monetary policy, including through the improvement of the interest-rate transmission mechanism, financial markets development and increased competition in the banking sector is also one of the main medium-term objectives of the National Bank. The National Bank will retain the policy of floating exchange rate at which foreign exchange intervention will be conducted in order to avoid sharp fluctuations in exchange rates. In the case of an increase in the pressure on the exchange rate, the NBKR will avoid deep reduction of international reserves that will be managed in compliance with the basic principles of liquidity and safety. In order to gain gold and foreign currency reserves, the NBKR intends to purchase gold for domestic currency in the domestic market.

Recent developments in the banking sector highlighted the shortcomings in the legal basis of early intervention and rehabilitation of troubled banks. In this regard, in 2012, the important activities of the National Bank are: a) development of the Banking Code; b) improving the regulatory framework for the regulation and supervision of commercial banks; c) the development of the consolidated supervision and implementation of individual elements of risk-oriented supervision, as well as improving the system of evaluation, analysis, early intervention and prevention of banking risks.

For recovery of the banking system, the National Bank will solve the problems with the banks in special modes, before they reach full compliance with regulatory requirements or prior to liquidation.

The medium term period expects to maintain positive growth trends of key performance indicators of microfinance providers on average of 12.5-15 percent, expanding list of goods and the quality of microfinance services.

In the field of economic research, the National Bank will continue its work in the directions that are of scientific and practical interest for the Bank.

The National Bank will continue systematically to increase the share of non-cash payments in order to ensure availability and security of retail payment services for people and business entities to conduct payments through accounts at commercial banks. Oversight of the activities for the phased transition to the payment of salaries to civil servants and other public sector workers, stipends, pensions, payment for utility services, collection of insurance

premiums, taxes and customs duties, as well as social benefits in the Kyrgyz Republic in non-cash form will be provided within the Interdepartmental Committee.

With a view of consumer protection and financial risks decreasing in the payment system, the National Bank will carry out surveillance activities for payment system supervision and control; monitoring of correspondent relations and technical infrastructure of the payment system of the Kyrgyz Republic. Surveillance (monitoring) policy of the payment system will be improved in view of the emerging market innovations.

In 2012, the National Bank plans to complete the project for implementation of the automated banking information system and the modernization of the financial market infrastructure and in the medium term to update information systems and technologies.

Coordination of the Government and the National Bank actions in achieving macroeconomic stability will be conducted at least in two directions: development of coordinated macroeconomic forecasts in the interdepartmental working group and co-ordination of monetary and fiscal policies within the interdepartmental coordination board of the Ministry of Finance and the National Bank.

3.2. Monetary Program

Implementation of monetary policy by the NBKR in the 2012-2014 medium-term periods will rely upon the forecasted development trends in the real, fiscal and external sectors of economy and will be oriented at inflation value of 8 percent on the average for the period on the assumption of shocks absence.

The medium-term monetary program is developed on program and alternative scenarios. The program scenario is based on a macroeconomic scenario forecast data, identified in the program economic documents. In this scenario, the projections for inflation and the real sector identified on the basis of indicators in the document “On the forecast of socio-economic development”; data from state financial sector - in accordance with the Law “On Republican Budget”; data from monetary sector - according to the approved monetary program for the coming period. An alternative scenario is based on NBKR estimates. These estimates assume the lower inflation (6.0 percent against 13.1 percent) and the budget deficit (5.6 against 8.1 percent), higher GDP growth (7.4 against 6.7 percent) for 2011 base year and the lower growth rates of the monetary base (12.9 against 17.6 percent) accordingly.

In the medium-term period, net foreign assets (NBKR NFA) will continue to provide the main contribution to the monetary base growth, excluding 2012, in connection with the projected balance of payments deficit: according to program scenario, contribution to net domestic assets (NBKR NDA) is forecasted at (+14 percent), NBKR NFA - (2 percent) on the balance of payments deficit at 2.3 percent of GDP, in the alternative scenario the contribution of NBKR NDA - 9 percent, NBKR NFA - 7 percent, on the balance of payments deficit at 0.6 percent of GDP. In the medium term, money M2X growth in the alternative scenario will reach 16.4 percent, on program scenario - 19.1 percent. Velocity of broad money M2X is decreasing and will reach 3.24 percent at the end of the medium-term forecast period.

Due to uncertainty as to the sources of financing the state budget deficit in 2013-2014, it is supposed that the budget deficit will be covered primarily out of the external sources.

A change in the NBKR net foreign assets (NBKR NFA) will be essentially influenced by currency supply from the Transit Center of the US Department of Defense and from gold-mining companies, in addition to the standard transactions for external debt servicing and receipt of external credits and grants. Taking into account the unevenness of the interbank foreign exchange market, the NBKR will serve as a seller and as a purchaser of foreign currency.

3.3. Conditions of Monetary Policy Objective Achievement

Achievement of performance indicators of inflation will largely depend on the fiscal policies pursued by the Government, structural reforms and economic activity in the country and in the region, consistency in the conduct of monetary and fiscal policies.

Achievement of the monetary policy objective in the medium-term period will become possible in the case of observing the following conditions:

- 1) reducing dependence on import on basic food commodities;
- 2) prevention of deficit and speculative surges of prices for socially significant goods at the local level;
- 3) providing favorable trading conditions with countries-main trading partners , which will largely depend on: (a) the conditions of Kyrgyzstan's accession to the Customs Union; (b) changing the pattern of trade in the region under the terms of Russia's membership in the WTO;
- 4) conduct of structural reforms and proactive actions for agricultural development of the country;
- 5) enhancement of measures for ensuring sustainability and balance of the state revenues receipts and even allocation of government expenditures during financial year in conjunction with fiscal consolidation measures;
- 6) regulation of tariffs for housing and communal utilities, transport, education and communication on the principles of transparency, economic efficiency and social justice in order to prevent their unreasonable growth;
- 7) reduction of losses in the energy sector as quickly as possible;
- 8) improvement of the evaluation system, assessment, early intervention and prevention of banking risks, the development of the Banking Code.

The Draft Medium-Term Development Programme of the Country for 2012-2014 includes a set of ambitious targets aimed at transition to sustainable development and improving the business environment and the state budget. This project involves the emergence of huge financial flows in the national economy, the sources of which are still largely undefined. In approving the draft program by the Parliament and the beginning of its large-scale implementation, the macroeconomic parameters will vary significantly which would require an adjustment to a monetary policy.

4. CONCLUSION

In the medium-term period for the sustainable economic development of the Kyrgyz Republic, maintenance of political stability is the important condition as a basis for macroeconomic policy.

The main objective the NBKR monetary policy will be aimed at maintenance of moderate inflation rates, contributing to the Government's plans for sustainable economic growth.

A gradual decrease in the budget deficit is forecasted in the medium-term period; however, the increase in money supply will be implemented primarily through public finance sector. In these circumstances, coordination of the Government and the National Bank will be particularly important. Coordination of measures of monetary and fiscal policy will be implemented in an expeditious manner within the Interdepartmental Coordination Board.

In order to improve the quality of predictions in the development of main directions of monetary policy, the Bank will direct resources for the establishment of the monitoring financial system stability. Information about the risks/threats and the real strengths of the national financial system, as well as evaluation of macroeconomic expenses will be considered in the development and implementation of monetary policy.

Researches in monetary policy and macroeconomic simulation will be conducted aiming at improving the NBKR capability to achieve goals and intermediate targets of monetary policy.

With view of tempering the impact of US dollar exchange rate fluctuations in the foreign markets, diversification of the risks of worsening the value of the NBKR reserve assets, accumulation of gold and foreign currency reserves in the international market, the NBKR is planning to buy gold for domestic currency in domestic market.

In the medium-term period, observing the principles of maintaining the liquidity and safety of reserve assets, the international reserves are planned to be maintained at the level of covering at least 3 months of critical volume of import of goods and services.

The NBKR will continue maintaining active cooperation with international financial organizations (the International Monetary Fund, the World Bank, the European Bank for Reconstruction and Development, the Asian Development Bank, the Islamic Development Bank and other organizations).

As to the payment system, the Bank will continue its systematic work for the development of the retail payment markets in the country, improving the quality of banking services to the public. Measures for improving the regulatory framework, close cooperation with government agencies and business environment will be aimed for supporting competition and protecting end-users.

Realization of the second phase of the State program activities for increasing the proportion of cashless payments and settlements for 2012-2017 is renewed, aimed at ensuring transparency in money circulation and achieving an optimal balance of cash and non-cash money circulation.

The main objectives of the banking sector in the medium-term period will include maintaining the integrity and sustainability of the banking system and recovery of confidence of the population, which will be reflected in the increase of the financial intermediation level.

Incompleteness of the process of developing Medium-Term Development Program, dependence on the conditions of country's accession to the Customs Union, imbalance and uncertainty about the parameters of the budget of 2011 and 2012 as well could significantly change forecasts of macroeconomic indicators, including inflation assessment.

5. STATISTICAL ANNEX

5.1. Separate Monetary Indicators

SURVEY OF THE NBKR (in thousands of soms)

	31.12.2009	30.11.2010	31.12.2010	30.11.2011	contribution to the growth of MB (%)	
					30.11.2010	30.11.2011
Net Foreign Assets	54 308 492.9	64 792 348.5	65 126 684.0	69 533 302.1	25.5	9.1
Net International Reserves	62 329 390.4	72 886 042.9	73 474 891.9	77 893 749.3	25.7	9.1
Gold	4 002 495.4	5 353 749.6	5 500 433.0	6 630 621.3	3.3	2.3
Foreign Currency (Assets)	65 847 901.1	74 982 906.0	75 315 745.3	76 959 597.3	22.2	3.4
Foreign Currency (Equities)	-7 521 006.0	-7 450 612.7	-7 341 286.4	-5 696 469.4	0.2	3.4
Net Domestic Assets	-13 247 840.5	-19 856 773.1	-16 529 383.4	-19 262 037.4	-16.1	-5.6
Net Domestic Credit	-4 383 765.5	-6 664 317.9	-2 489 155.0	-3 918 615.2	-5.6	-2.9
Net Claims on General Government	-1 644 245.9	-6 070 541.2	-2 052 629.3	-2 876 429.6	-10.8	-1.7
Net Claims on Government	1 001 289.9	-6 000 370.3	-1 982 454.7	-2 861 381.2	-17.1	-1.8
Total Government Deposits	-3 975 519.8	-11 276 641.0	-7 242 533.9	-8 850 361.7	-17.8	-3.3
Net Claims on Special Fund	-2 645 535.8	-70 170.9	-70 174.6	-15 048.4	6.3	0.1
Net Claims on ODC	-1 263 995.9	327 233.9	86 758.4	-829 895.3	3.9	-1.9
Loans	322 584.1	339 287.7	342 657.9	1 771 003.2	0.0	2.9
Securities	-1 059 542.6	-422 078.8	-738 666.3	-2 100 979.7	1.6	-2.8
of which: Securities Issued by NBKR	-1 059 542.6	-422 078.8	-667 860.2	-1 722 171.1	1.6	-2.2
Securities Under REPO-Agreements			-70 806.1	-378 808.6	0.0	-0.6
Deposits	-527 037.4	-276 474.0	-207 236.5	-499 918.8	0.6	-0.6
of which: Deposits in Foreign Currency	-527 037.4	-276 474.0	-207 236.5	-499 918.8	0.6	-0.6
Financial Derivatives		686 499.0	690 003.3		1.7	-1.4
Net Claims on OFC	-1 475 523.7	-921 010.6	-523 284.1	-212 290.4	1.4	0.6
Capital Accounts and Other Items (net)	-8 864 075.0	-13 192 455.2	-14 040 228.4	-15 343 422.1	-10.5	-2.7
Monetary Base	41 060 652.4	44 935 575.4	48 597 300.6	50 271 264.7	9.4	3.4
Currency in Circulation	35 738 694.1	40 813 320.7	43 290 296.2	45 872 771.8		
Reserves of ODC	5 321 958.3	4 122 254.8	5 307 004.4	4 398 492.9		

Kyrgyz Republic: Monetary Survey of Banking System (in thousands of soms)

	31.12.2009	30.11.2010	31.12.2010	01.12.2011*	contribution to the growth of M2X (%)	
					30.11.2010	01.12.2011*
Net Foreign Assets	60 113 953.4	69 363 557.8	71 424 835.8	76 570 451.5	16.2	7.4
Net International Reserves	68 134 850.9	77 457 252.2	79 773 043.7	84 925 245.7	16.3	7.4
Claims on Non-Residents	96 842 413.9	91 625 335.5	93 732 031.1	98 181 963.6	-9.1	6.4
Liabilities on Non-Residents	-28 707 563.0	-14 168 083.3	-13 958 987.3	-13 256 717.9	25.5	1.0
Other Foreign Assets	133 336.3	400 655.9	134 261.3	131 526.7	0.5	0.0
SDR Allocation	-5 863 166.2	-6 120 462.2	-6 096 397.1	-6 160 842.2	-0.5	-0.1
Long-term Foreign Liabilities	-2 291 067.6	-2 373 888.0	-2 386 072.1	-2 325 478.7	-0.1	0.1
Net Domestic Assets	-2 987 544.8	-6 013 666.9	-2 217 108.8	-555 960.2	-5.3	2.4
Net Claims on General Government	-5 992 300.9	-6 504 121.4	-4 195 406.1	-4 620 614.8	-0.9	-0.6
Net Claims on Government	-2 125 929.3	-6 246 121.1	-3 039 215.5	-2 925 566.4	-7.2	0.2
Loan to Government in Foreign Currency	2 196 085.7	2 321 224.4	2 333 073.2	2 299 227.0	0.2	0.0
Government Securities	6 283 575.2	6 448 067.1	6 835 858.7	8 261 899.5	0.3	2.1
Counterpart Funds	0.0	0.0	0.0	0.0	0.0	0.0
Government's Deposits	-10 605 590.2	-15 015 412.6	-12 208 147.4	-13 486 693.0	-7.7	-1.8
of which: Social Fund's Accounts	-4 109 888.1	-1 864 133.3	-3 144 984.3	-2 423 129.1	3.9	1.0
Net Claims on Special Funds	-3 866 371.6	-258 000.3	-1 156 190.6	-1 695 048.4	6.3	-0.8
Development Fund	-3 866 371.6	-258 000.3	-1 156 190.6	-1 695 048.4	6.3	-0.8
Claims on Other Sectors	25 952 296.9	25 359 818.5	27 574 725.9	33 056 105.1	-1.0	7.9
Domestic Currency Credits	10 477 874.4	12 064 612.6	12 975 625.2	15 845 189.8	2.8	4.1
Foreign Currency Credits	15 474 422.5	13 295 205.9	14 599 100.7	17 210 915.2	-3.8	3.8
Other Items	2 332 137.3	3 734.0	2 654 614.3	-3 484 678.9	-4.1	-8.9
Capital Accounts	-25 279 678.0	-24 873 098.0	-28 251 042.9	-25 506 771.5	0.7	-4.0
Broad Money	57 126 408.6	63 349 890.9	69 207 727.0	76 014 491.3	10.9	9.8
Money Outside Banks	33 882 327.3	38 644 505.4	41 471 151.7	43 451 727.4		
Deposits of Other Depository Corporations	23 244 081.3	24 705 385.6	27 736 575.3	32 562 763.9		
Transferable Deposits in National Currency	6 299 370.2	7 523 164.7	8 621 691.0	9 352 170.1		
Other Deposits in National Currency	3 308 253.5	3 331 738.6	3 652 585.9	5 198 682.1		
Deposits in Foreign Currency	13 636 457.6	13 850 482.3	15 462 298.4	18 011 911.7		

* According to preliminary data