

Dynamics of monetary indicators in January-December 2016

Interbank credit market

In January-December of 2016, the situation in the interbank credit market was characterized by the decrease of interbank credit operations volumes and average weighted interest rates. The total volume of the operations in the interbank market in 2016 amounted to KGS 6.4 billion, having decreased by 80,9 percent compared the similar indicator of the previous year. The weighted average interest rates in the interbank credit market decreased (from 11,02 percent in January to 1,54 percent in December) due to the high level of excess liquidity in the banking system during the year.

In 2016 the total volume of repo transactions made KGS 4,5 billion, volume of credits in national currency in the interbank credit market amounted to KGS 1,9 billion.

Change in monetary base

By the end of 2016 the monetary base has grown up by 27,6 percent and amounted to KGS 85,6 billion (in 2015 - by 4.0 percent). The volume of money in circulation amounted to KGS 74,8 billion by the end of 2016 having increased by 28,2 percent (in 2015 – by 2,3 percent).

During 2016 in the banking system a high level of excess reserves was observed. The average daily volume of excess reserves in the banking system before operations on sterilization carried out by the National Bank amounted to KGS 11,6 billion, after sterilization – KGS 1,4 billion. By the end of 2016 the volume of excess reserves before operations on sterilization carried out by the National Bank amounted to KGS 16,2 billion, after sterilization – KGS 3,5 billion.

In 2016 taking into account the high excess liquidity in the banking system, the National bank carried out the sterilization operations on withdrawing excess liquidity.

- the volume of the National bank note sales amounted to KGS 110,3 billion (in 2015 - KGS 67,9 billion);

- the total volume of funds placed by the commercial banks with the National bank to “overnight” deposits amounted to KGS 1 986,5 billion (in 2015 - KGS 325,6 billion).

During 2016 the National bank continued to provide the economy with the KGS resources in order to support positive economic growth and the expand lending to the real sector of economy:

- within the frameworks of the program on mortgage loans conversion from the foreign currency into the national currency, the commercial banks were provided with the loans in the amount of KGS 1.9 billion;

- for purposes of further financing of agriculture and processing in the regions of the country KGS 1.4 billion was provided to the commercial banks within the credit auctions;

- the volume of the loans to the international organizations created by the Kyrgyz Republic jointly with other states as a part of the Eurasian Economic Union amounted to KGS 678,2 million.

- gold was purchased in the domestic market in the amount of KGS 982,2 million (in 2015 – KGS 689,6 million).

The operations of the Government of the Kyrgyz Republic increased the monetary base by KGS 21,5 billion, the operations of the National bank decreased the monetary base for KGS 2,9 billion.

During 2016 in the domestic foreign exchange market the interventions were conducted in order to smooth sharp fluctuations of the exchange rate. For 2016 the volume of net-purchase of foreign currency amounted to USD 29,1 million. In general, operations in the interbank currency market have increased KGS liquidity by KGS 1,5 billion. In 2016 KGS/USD exchange rate strengthened by 8.8 percent.

As of the end of 2016 the total volume of gross international reserves of the National bank amounted to USD 1,97 billion (an increase made 10.7 percent since the beginning of the year).

Change in money supply¹

Monetary aggregate M2, which includes cash outside banks and deposits in the national currency, amounted to KGS 115,4 billion by the end of 2016, having increased by 40,3 percent (in 2015 there was a

¹ According to the preliminary data of the banking system

decrease by 0.1 percent). As of the end of 2016 the volume of broad money M2X (M2 + deposits in the foreign currency) has increased by 14,6 percent and amounted to KGS 164,0 billion (in 2015 an increase made 14,9 percent).

In the volume of broad money the deposits of other deposit corporations² (hereinafter – ODC) increased by 5,2 percent since the beginning of 2016, the growth was mostly due to the increase in deposits in the national currency by 58,2 percent, whereas deposits in foreign currency have decreased by 20,2 percent. As of the end of 2016 the total volume of ODC deposits amounted to KGS 94,7 billion .

As of the end of 2016 total volume of loans to the economy³ amounted to KGS 95,4 billion. Mostly, the loans to the economy (-1,0 percent) decreased since the beginning of year due to the reduction of the loans in foreign currency (-19,7 percent), there still observed a positive dynamics of the loans in the national currency (+20,6 percent). Without regard to the exchange rate changes the volume of loans to economy has increased by 4,9 percent since the beginning of the year.

As of the end of 2016 the dollarization of the loans to economy amounted to 43,5 percent (decline for 10,1 percent p.p.); the level of dollarization of ODC deposits amounted to 51,3 percent (decline for 16,3 p.p.).

Broad money multiplier M2X⁴ made 1,916; multiplier M2 – 1,349.

Cash turnover

As of the end of 2016 receipt of cash in the cash departments of the National Bank amounted to KGS 59,0 billion, having decreased by KGS 3,1 billion or 5,0 percent according to the same period of 2015. Money issuances increased by KGS 12,0 billion or 18,9 percent and amounted to 75,4 KGS billion.

For 2016 receipt of cash in the cash departments of the commercial banks amounted to KGS 1 173,0 billion, having increased for KGS 136,3 billion or 13,1 percent in comparison with the relevant period of 2015. Money issuances increased by KGS 152,4 billion or 14,6 percent and amounted KGS 1 193,4 billion.

Payment system

Turnover ratio in the system amounted to 1,72 by end of December of 2016. The liquidity ratio – 0,58. Meanwhile the level of financial risks in the system was kept to a minimum.

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

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

⁴ This indicator shows the degree of financial intermediation.