

## Dynamics of monetary indicators in January-April of 2015

In January-April of 2015, the growth rate of the economy (according to the preliminary data of the National Statistical Committee) amounted to 7.0 percent (in January-April of 2014- 5.0 percent). Excluding production of the “Kumtor” gold-mining company, the growth rate in GDP made 3.7 percent (4.2 percent - in January-April of 2014).

In April 2015, the annual inflation was 7.9 percent (in April 2014 – 7.5 percent); the core inflation amounted to 7.4 percent (in April 2014 – 7.8 percent).

From the beginning of 2015, the official exchange rate of US dollar against KGS increased by 2.0 percent and amounted to 60.0705 KGS per 1 US dollar (in January-April of 2014 – by 9.6 percent).

In January-April of 2015, the monetary base fell by 5.3 percent and amounted to 61 024.9 million KGS (in January-April of 2014 – by 4.9 percent); particularly, money in circulation decreased by 7.6 percent when the reserves of other depository corporations increased by 12.2 percent.

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

- the share of money in circulation amounted to 86.4 percent;
- the share of reserves of other depository corporations amounted to 13.6 percent.

In the structure of reserves of other depository corporations, obligatory reserves increased by 3.1 percent and amounted to 6,902.5 million KGS, excess reserves increased virtually twice to 1,396.1 million KGS since the start of the year (in January-April of 2014, obligatory reserves increased by 8.2 percent, while excess reserves – by 44.0 percent).

A decrease in the monetary base was conditioned by transactions of the National Bank, which decreased it by 6.9 billion KGS in January-April of 2015. On the contrary, Government transactions increased monetary base by 3.5 billion KGS.

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

- currency interventions decreased the monetary base by 9.0 billion KGS;
- credit auctions – gross value of funds issued in January-April amounted to 850.0 million KGS;
- purchase of gold at the domestic market – by 149.8 million KGS.

In January-April, the NBKR also conducted sterilized transactions (transactions at the open market and “overnight” deposits), which average daily volume amounted to 2.3 billion KGS.

In January-April of 2015, gross international reserves in dollar terms decreased by 81.1 million USD and amounted to 1,877.5 million USD.

Net domestic assets (NDA) decreased by 1,113.2 million KGS in January-April of 2015. A decrease in NDA was mainly caused by the decrease of net domestic credit by 4,383.9 million KGS. An increase in NDA was caused by the decrease of capital accounts by 5,409.8 million KGS (transfer of NBKR profits to the state budget at the rate of 3,777.0 million KGS).

### Change in monetary aggregates

*Monetary aggregate M2*, which consists of money out of banks and deposits in the national currency<sup>1</sup>, decreased by 7.2 percent in January-April of 2015 and made 76,462.7 million KGS (in January-April of 2014 – by 4.0 percent).

Broad money supply M2X decreased by 0.7 percent in January-April of 2015 and made 123,680.2 million KGS, which is mainly due to reduction of money out of banks by 6.4 percent, to 48,559.1 million KGS (M2X increased by 1.9 percent in January-April of 2014).

The structure of M2X money supply is as follows:

- the share of money out of banks – 39.3 percent (as of May 1, 2014 – 47.5 percent);
- the share of deposits in national currency – 22.6 percent (as of May 1, 2014 – 23.5 percent);
- the share of deposits in foreign currency – 38.2 percent (as of May 1, 2014 – 29.1 percent).

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

Deposits in foreign currency increased by 12.0 percent and made 47,217.5 million KGS, without regard to the impact of exchange rate– by 9.3 percent, deposits in national currency decreased by 8.5 percent, to 27, 903.6 million KGS. As a result, total volume of deposits in January-April of 2015 increased by 3.4 percent and made 75,121.1 million KGS (in January-April of 2014 – by 9.6 percent).

As of the end of April 2015, the level of dollarization of deposits to be included in M2X amounted to 62.9 percent, having increased by 4.9 percentage points as compared to the level at the beginning of the current year.

*Credit into economy*<sup>2</sup> in January-April of 2015 increased by 9.4 percent and made 89,848.7 million KGS, without regard to the impact of exchange rate, it increased by 8.2 percent (in January-April of 2014, the credit into economy increased by 17.3 and 11.5 percent, respectively).

In January-April of 2015, net foreign assets of the banking system decreased by 5,386.1 million KGS (by 5.0 percent) and made 103,203.5 million KGS.

At the end of April 2015, net domestic assets (NDA) of the banking system amounted to 20,476.7 million KGS, having increased by 4,521.9 million KGS (by 28.3 percent).

As of the end of April 2015, the discount rate was set at the level of 11.0 percent consistent with the decision of the Board of NBKR (no change as compared to the level as of the end of January 2015). In this connection, cap and floor of the interest passage on “overnight” credits and deposits remained unchanged at the level of 14.00 and 5.00 percent respectively.

As of the end of April 2015, the yield on 7-day notes amounted to 11.00 percent.

As of May 1, 2015, the multiplier of M2X broad money, which is a degree of financial intermediation, amounted to 2.027, the multiplier of M2 – 1.253 (as of May 1, 2014 – 1.771 and 1.256, respectively).

As of the end of April, coefficient of the economy monetization, calculated based on the M2X monetary aggregate, amounted to 29.6 percent, calculated based on the M2 monetary aggregate – 20.0 percent (as of the end of April 2014 – 31.6 and 23.4 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 April (on M2X).

Within January-April of 2015, receipt of cash in the cash departments of the National Bank amounted to 21,207.7 million KGS, in comparison with the corresponding period of 2014, the amount decreased 3,846.2 million KGS, or 15.3 percent, issuances decreased by 3,784.5 million KGS, or 18.3 percent, and amounted to 16 853.7 million KGS.

In January-April of 2015, receipt of cash in the cash departments of commercial banks amounted to 301,843.3 million KGS; in comparison with the corresponding period of the previous year, the amount increased by 21,807.0 million KGS, or 7.8 percent, issuances increased by 21,056.4 million KGS, or 7.6 percent, and amounted to 298,748.1 million KGS.

In January-April of 2015, the level of financial risks in the payment system was kept to a minimum. A turnover ratio at the end of April amounted to 0.31, a liquidity ratio – 3.18.

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