

Press-release

The National Bank of the Kyrgyz Republic reduced its policy rate to 5.50 percent

On November 28, 2016, the Board of the National Bank of the Kyrgyz Republic decided to reduce the policy rate by 50 basis points to 5.50 percent. The decision becomes effective as of November 29, 2016.

Overall price level continues to decrease. Deflation in annual terms (as of November 18) reached 0.7 percent. The consumer price dynamics is mainly determined by the drop in food prices, additionally in recent months the growth rate of prices for goods included in non-food group has been also slowing down.

In the third quarter of 2016, the key economic activity indicator shifted to positive phase: in January-October 2016, the real GDP increased by 2.7 percent. Excluding the data of the “Kumtor” gold-mining enterprises, real GDP growth, which is more relevant for monetary policy purposes, reached 3.3 percent. Domestic consumption has slightly recovered. According to the estimates of the National Bank, these factors will have a moderate impact on inflation in the upcoming period.

At the domestic foreign exchange market, the situation is stable. Since the beginning of the year (as of November 28) the national currency appreciated by 9.0 percent. Foreign exchange interventions are conducted only to smooth short-term exchange rate fluctuations.

Easing monetary policy conditions on interest rate started from March 2016 allowed to support the measures aimed at promoting the real sector to return to its positive trend. The inflationary risks remained low. Results of the monetary policy are reflected in the current reduction of money market rates in the national currency.

According to the forecasts of the National Bank, inflation will be close to zero by the end of 2016 and in the next few months a low inflationary environment remains. Based on current forecasts of price dynamics, the Board of the National Bank deems appropriate to decrease the policy rate. National Bank intends to continue expansionary monetary policy in the upcoming period in the absence of external shocks.

Thus, due to continuing the current monetary policy, deflationary factors will be mainly neutralized in the upcoming months. In the medium term, inflation will return to its target range of 5-7 percent.

National Bank regularly assesses external and internal factors influencing inflation and will continue to take relevant and timely monetary policy measures.

Information note:

The next meeting of the Board of the National Bank of the Kyrgyz Republic on the monetary policy rate is scheduled for December 26, 2016.