

Dynamics of monetary indicators in January-May of 2015

In January-May of 2015, the growth rate of the economy (according to the preliminary data of the National Statistical Committee) amounted to 6.9 percent (in January-May of 2014 - 4.1 percent); excluding production of the “Kumtor” gold-mining company, the growth rate in real GDP made 3.9 percent (3.8 percent - in January-May of 2014).

In May 2015, the annual inflation was 6.0 percent (in May 2014 – 8.1 percent); the core inflation amounted to 7.8 percent (in May 2014 – 7.4 percent).

From the beginning of 2015, the official exchange rate of US dollar against KGS decreased by 1.3 percent and amounted to 58.1472 KGS per 1 US dollar (in January-May of 2014 it increased by 5.8 percent).

In January-May of 2015, the monetary base fell by 3.9 percent and amounted to 61,980.7 million KGS (in January-May of 2014 – by 3.8 percent); particularly, money in circulation decreased by 4.7 percent when the reserves of other depository corporations increased by 2.5 percent.

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

- the share of money in circulation amounted to 87.8 percent;
- the share of reserves of other depository corporations amounted to 12.2 percent.

In the structure of reserves of other depository corporations, obligatory reserves increased by 4.8 percent and amounted to 7,011.4 million KGS, excess reserves decreased to 570.8 million KGS since the start of the year (in January-May of 2014, obligatory reserves increased by 8.8 percent, while excess reserves decreased by 85.2 percent).

A decrease in the monetary base was conditioned by transactions of the National Bank, which decreased it by 5.1 billion KGS in January-May of 2015. On the contrary, Government transactions increased monetary base by 2.6 billion KGS.

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

- currency interventions decreased the monetary base by 7.3 billion KGS;
- credit auctions – gross value of funds issued in January-May amounted to 1,250.0 million KGS;
- purchase of gold at the domestic market – by 172.3 million KGS.

In January-May, 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) decreased by 4.6 percent (or 4,795.5 million KGS) in January-May of 2015, mainly due to the decrease in net international reserves (NIS) by 5,201.1 million KGS. The main factor of NFA reduction was exchange rate revaluation of currency portfolio.

In January-May of 2015, gross international reserves in dollar terms decreased by 71.1 million USD and amounted to 1,887.5 million USD.

Net domestic assets (NDA) increased by 2,304.3 million KGS in January-May of 2015. An increase in NDA was mainly caused by the increase of capital accounts by 9,822.6 million KGS connected with revaluation of foreign currency assets and gold due to the change in exchange rates and the price of the precious metal. A decrease in NDA was mainly caused by the decrease of net domestic credit by 5,255.2 million KGS connected with the receipt of funds for capitalization of the Russian-Kyrgyz Development Fund (RKDF) and increase in Government deposits (without regard to the funds of RKDF).

Change in monetary aggregates

Monetary aggregate M2, which consists of money out of banks and deposits in the national currency¹, decreased by 7.1 percent in January-May of 2015 and made 76,541.9 million KGS (in January-May of 2014 – by 4.0 percent).

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

Broad money supply M2X decreased by 2.8 percent in January-May of 2015 and made 121,104.9 million KGS, which is mainly due to the reduction of deposits of other depository corporations by 13.1 percent to 26,492.8 million KGS (M2X increased by 1.7 percent in January-May of 2014).

The structure of M2X money supply is as follows:

- the share of money out of banks – 41.3 percent (as of June 1, 2014 – 48.9 percent);
- the share of deposits in national currency – 21.9 percent (as of June 1, 2014 – 23.6 percent);
- the share of deposits in foreign currency – 36.8 percent (as of June 1, 2014 – 27.5 percent).

Deposits in foreign currency increased by 5.7 percent and made 44,563.1 million KGS, without regard to the impact of exchange rate– by 6.6 percent, deposits in national currency decreased by 13.1 percent, to 26,492.8 million KGS. As a result, total volume of deposits in January-May of 2015 decreased by 2.2 percent and made 71,055.8 million KGS (in January-May of 2014 it increased by 6.4 percent).

As of the end of May 2015, the level of dollarization of deposits to be included in M2X amounted to 62.7 percent, having increased by 4.7 percentage points as compared to the level at the beginning of the current year.

*Credit into economy*² in January-May of 2015 increased by 7.5 percent and made 88,347.7 million KGS, without regard to the impact of exchange rate - by 8.1 percent (in January-May of 2014, the credit into economy increased by 18.7 and 14.9 percent, respectively).

In January-May of 2015, net foreign assets of the banking system decreased by 9,652.0 million KGS (by 8.9 percent) and made 98,937.6 million KGS.

As of the end of May 2015, net domestic assets (NDA) of the banking system amounted to 22,167.3 million KGS, having increased by 6,212.5 million KGS (by 38.9 percent).

At the end of May 2015, the discount rate was set at the level of 9.50 percent consistent with the decision of the Board of the National Bank (it is decreased by 150 percentage points as compared to the level as of the end of April 2015). In this connection, cap and floor of the interest passage on “overnight” credits and deposits were decreased by 200 percentage points each and set at the level of 12.00 and 3.00 percent respectively.

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

As of June 1, 2015, the multiplier of M2X broad money, which is a degree of financial intermediation, amounted to 1.954, the multiplier of M2 – 1.235 (as of June 1, 2014 – 1.748 and 1.268, respectively).

As of the end of May, coefficient of the economy monetization, calculated based on the M2X monetary aggregate, amounted to 29.3 percent, calculated based on the M2 monetary aggregate – 19.6 percent (as of the end of May 2014 – 31.9 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 May (on M2X).

Within January-May of 2015, receipt of cash in the cash departments of the National Bank amounted to 24,731.1 million KGS, in comparison with the corresponding period of 2014, the amount decreased by 5,108.8 million KGS, or 17.1 percent, issuances decreased by 5,251.6 million KGS, or 19.2 percent, and amounted to 22,049.1 million KGS.

In January-May of 2015, receipt of cash in the cash departments of commercial banks amounted to 379,034.7 million KGS; in comparison with the corresponding period of the previous year, the amount increased by 18,735.7 million KGS, or 5.2 percent, issuances increased by 18,644.2 million KGS, or 5.2 percent, and amounted to 378,537.3 million KGS.

In January-May of 2015, the level of financial risks in the payment system was kept to a minimum. A turnover ratio at the end of May amounted to 0.32, a liquidity ratio – 3.14.

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