

Press Release
National Bank of the Kyrgyz Republic
decreased the policy rate to 4.75 percent

On May 28, 2018, the Board of the National Bank of the Kyrgyz Republic decided to decrease the policy rate by 25 basis points to 4.75 percent. The decision becomes effective as of May 29, 2018.

The actual inflation in the Kyrgyz Republic remains at a low level. Annual inflation in May, 2018 (as of May 18) was 1.6 percent and declined from 3.7 percent as of the beginning of the year. Due to the favorable situation in the international commodity markets decline in food prices supported this decrease in prices. Current recovery of domestic demand as well as stable dynamics of food prices, including imported prices, makes it possible to expect a moderate inflationary dynamics in the medium-term within the monetary policy target of 5-7 percent.

The economic situation in the trade partners of Kyrgyzstan and its prospects continue to have an upward trend, thus creating a positive background for the economic development of the Kyrgyz Republic. The positive economic growth in the Kyrgyz Republic is supported by the increase of aggregate demand due to the steady dynamics of remittance's inflow and increase of real wages. In January-April 2018, real GDP growth was 1.3 percent, excluding the data on the "Kumtor" gold-mining enterprises¹ – 2.5 percent. The main sectors of economy show the output growth. It is expected that in 2018 the real sector of the economy will continue to increase and will be closer to the potential level.

The monetary sector is characterized by positive trends. In the banking sector a sufficient level of liquidity is being observed. Money market rates continue to fluctuate within the interest rate corridor set by the National Bank and getting closer to the policy rate. The activity in the interbank credit market is remained. Previously taken monetary policy measures are affecting the current decrease of market interest rates on loans and expansion of lending of economy. The domestic foreign exchange market remains stable.

External inflationary conditions and growing aggregate demand, in the absence of any additional shocks, will bring to moderate inflationary dynamics in the country in the upcoming period. Taking into account the balance of risks from the external sector and the tendency of internal conditions, the National Bank decided to decrease the policy rate. This level of the policy rate will allow supporting measures to stimulate the real sector of economy. The National Bank intends to adhere to the current direction of monetary policy in the upcoming period in the absence of external shocks.

The National Bank on a regular basis assesses external and internal factors influencing inflation and depending on the economic situation will take relevant monetary policy measures.

Briefing:

The next meeting of the Board of the National Bank of the Kyrgyz Republic on the monetary policy rate is scheduled for June 25, 2018.

¹ The real GDP value without Kumtor enterprises is more indicative for the monetary policy purposes.