

Press-release of the National Bank of the Kyrgyz Republic Board meeting
on the discount rate

Since the last Board meeting on discount rate there were no significant changes in the economy of Kyrgyzstan and countries - major trading partners. During the discussion of the current macroeconomic situation it was noted that the assumptions with multidirectional trends, made in the baseline scenario of inflation forecast before the end of 2016, remain. On the one hand, in the nearest future it is expected slowing of economic growth in the countries - major trading partners that will probably be reflected in the decline in external demand and remittances.

On the other hand, high inflationary background, caused by more profound devaluation of som, may affect the acceleration of inflationary processes by the end of the year, however the average rate of inflation in the current year and the medium term due to the measures of the National Bank will be within the targets of monetary policy. Under the conditions of preservation of high import dependence of the economy, the National Bank will continue to monitor the state of prices on world food markets and to study their possible changes. In addition, the emerging trend in the increase of interest rates in emerging market countries, caused by the outflow of capital into the developed countries, also probably requires the strengthening of monetary terms in Kyrgyzstan in the near future that will create conditions for the stabilization of inflation in the medium term perspective.

Thus, taking into account the ratio of inflation risks and risks of external demand reduction, both in time of occurrence and in amplitude, it was decided to retain the current direction of monetary policy and leave the NBKR discount rate unchanged at 6.0 percent.