

Dynamics of monetary indicators in January-November 2015

In January-November 2015, the growth rate of the economy (according to the preliminary data of NSC) amounted to 3.6 percent (in January-November 2014 – 4.0 percent); excluding “Kumtor”, the real GDP increased by 3.8 percent (in January-November 2014 – 4.8 percent).

The inflation rate accumulated since the beginning of 2015 amounted to 2.3 percent at the end of November, meanwhile, in November 2015, the inflation rate made 3.8 percent in annual terms (in November 2014, the inflation rate was 10.2 percent in annual terms). In November 2015, the core inflation, according to IMF methods¹, amounted to 8.4 percent in annual terms (in November 2014 in annual terms – 7.7 percent).

The official exchange rate of USD to KGS since the beginning of 2015 increased by 28.9 percent and amounted to KGS 75.9000 per USD 1 (in January-November 2014, increase made 17.0 percent).

The monetary base in January-November 2015 decreased by 1.1 percent, amounting to KGS 63 793.3 million (in January-November 2014 decrease made 10.7 percent); in addition, money in circulation decreased by 4.0 percent with an increase in the reserves of other depository corporations by 21.7 percent.

Growth rates of other depository corporations reserves outstripping increase of money in circulation conditioned increase in the share of other depository corporations reserves, consequently, the structure of the monetary base as of the end of November 2015 is as follows:

- the share of money in circulation amounted to 85.9 percent;
- the share of reserves of other deposit corporations amounted to 14.1 percent.

In the structure of reserves of other deposit corporations, obligatory reserves increased by 19.1 percent since the beginning of the year and amounted to KGS 7 970.6 million; excess reserves (after sterilization) increased by 46.6 percent up to KGS 1 032.4 million (in January-November 2014, obligatory reserves increased by 19.2 percent, while excess reserves increased by 41.1 percent).

A decrease in the monetary base was due to operations carried out by the National Bank, which since the beginning of the year reduced the monetary base by KGS 12.9 billion. The operations of the Government, on the contrary, increased the monetary base by KGS 12.2 billion.

In January-November 2015, the monetary base was mainly influenced by the following operations of the National Bank of the Kyrgyz Republic:

- foreign exchange interventions reduced the monetary base by KGS 16.7 billion;
- credits of last resort – a gross value of funds issued in January-November amounted to KGS 1.9 billion;
- credit auctions – a gross value of funds issued in January-November amounted to KGS 1.5 billion;
- purchase of gold in the domestic market - by KGS 0.5 billion.

In January-November, the NBKR conducted sterilization operations (operations in the open market and “overnight” deposits): average daily volume thereof amounted to KGS 2.5 billion.

Net foreign assets (NFA) in January-November 2015 increased by 14.4 percent (or by KGS 15 081.5 million), primarily due to growth of net international reserves (NIR) by KGS 15 406.5 million. The main factor of growth in NIR was cash inflow from development of gold ore fields, as well as credits and grants for state budget support.

In January-November 2015, gross international reserves in dollar terms decreased by USD 219.5 million and amounted to USD 1 739.1 million.

Net domestic assets (NDA) in January-November 2015 decreased by 39.1 percent or by KGS 15 760.1 million (in the same period of the last year NDA increased by 40.1 percent). A decrease of NDA was mainly caused by increase in capital accounts by KGS 7 073.7 million, due to revaluation of assets in foreign currency and gold as a result of foreign exchange rates and price for precious metal, decrease in other items by KGS 6 619.2 million, increase of obligations on the accounts of the Kyrgyz Republic Government by KGS 966.6 million, increase of obligations to other financial institutions related to operations of the Russian-Kyrgyz Development Fund (RKDF) in the amount of KGS 718.6 million and increase of obligations of the NBKR to the commercial banks by KGS 381.9 million.

¹ Food products, electric energy, gas and other types of fuel are completely excluded from total inflation rate

Alterations of monetary aggregates

Monetary aggregate M2, which consists of cash out of banks and deposits in the national currency², in January-November 2015, decreased by 7.2 percent, amounting to KGS 76 461.2 million (in January-November 2014 M2 decreased by 8.9 percent).

Broad money supply M2X in January- November 2015 increased by 12.2 percent, amounting to KGS 139 783.5 million, which is mainly due to growth in the deposits of other depository corporations by 24.3 percent up to KGS 90 265.1 million (in January-November 2014, M2X increased by 2.8 percent).

The structure of M2X money supply is as follows:

- the share of cash out of banks - 35.4 percent (as of 01.12.2014 - 42.7 percent);
- the share of deposits in national currency - 19.3 percent (as of 01.12.2014 - 24.0 percent);
- the share of deposits in foreign currency - 45.3 percent (as of 01.12.2014 - 33.3 percent).

Deposits in foreign currency increased by 50.2 percent, amounting to KGS 63 322.3 million; excluding the impact of exchange rate – by 17.7 percent, deposits in national currency decreased by 11.6 percent down to KGS 26 942.8 million. As a result, the total volume of deposits in January-November 2015 increased by 24.3 percent, amounting to KGS 90 265.1 million (in January-November 2014, increased by 20.6 percent).

The level of dollarization of deposits included in M2X, as of the end of November 2015, amounted to 70.2 percent, having increased by 12.2 percentage points compared to the level at the beginning of the current year.

*Credit to the economy*³ in January-November 2015 increased by 18.9 percent, amounting to KGS 97 640.6 million; excluding the impact of exchange rate, the increase amounted to 4.1 percent (in January-November 2014, credit to the economy increased by 40.4 and 29.3 percent, respectively).

In January-November 2015, net foreign assets of the banking system increased by KGS 24 037.5 million (by 22.1 percent), amounting to KGS 132 627.1 million (in the same period of the last year – by 0.7 percent).

At the end of November 2015, net domestic assets (NDA) of the banking system amounted to KGS 7 156.4 million, having decreased by KGS 8 798.4 million or by 55.1 percent since the beginning of 2015 (in the same period of the last year – by 17.2 percent).

The policy rate at the end of November 2015 was set at the level of 10.00 percent in accordance with the decision of the Board of the National Bank of the Kyrgyz Republic (unchanged as compared to the level at the end of October 2015). In this respect, the rates of the upper and lower levels of interest rate corridor on “overnight” credits and deposits was set at the level of 12.00 and 4.00 percent, respectively (unchanged).

At the end of November 2015, the yield of 7-day notes amounted to 9.99 percent. In November, average weighted interest rate on REPO operations in the inter-bank credit market was below policy rate and amounted to 8.49 percent.

The multiplier of broad money M2X, which characterizes the degree of financial intermediation, as of 01.12.2015, amounted to 2.191, multiplier M2 – 1.199 (as of 01.12.2014 - 1.901 and 1.268, respectively).

At the end of November, the coefficient of monetization of the economy, calculated by the monetary aggregate M2X amounted to 30.22 percent, by the monetary aggregate M2 - 18.61 percent (at the end of November 2014 - 31.04 and 22.16 percent, respectively).

Velocity of money circulation

Growth of nominal GDP outstripping increase of monetary base in the economy conditioned increase in velocity of money circulation as compared to the level at the beginning of the current year by 0.05 and amounted to 3.31 at the end of November (by M2X).

² Deposits of individuals, legal entities and other financial-credit institutions except for deposits of the Government and non-residents.

³ Loans to individuals, legal entities and other financial-credit institutions except for loans to the Government and non-residents.

Within January-November of 2015, receipt of cash in the cash departments of the National Bank amounted to KGS 57 084.5 million, in comparison with the corresponding period of 2014, the amount decreased by KGS 12 684.7 million or 18.2 percent, issuances decreased by KGS 5 800.2 million or 9.6 percent, and amounted to KGS 54 793.8 million.

In January-November 2015, receipt of cash in the cash departments of commercial banks amounted to KGS 935 426.2 million; in comparison with the corresponding period of the previous year, the amount increased by KGS 20 790.8 million, or 2.3 percent, issuances increased by KGS 25 894.1 million, or 2.8 percent, and amounted to KGS 935 751.7 million.

In January-November 2015, the level of financial risks in the payment system was kept to a minimum. A turnover ratio at the end of November amounted to 0.52, a liquidity ratio – 1.93.