

**National Bank of the Kyrgyz Republic**

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# **Inflation Report**

**I quarter 2012**

**April 2012**

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**Bishkek**

## *Inflation Report*

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This edition contains the description of the consumer price trends in the Kyrgyz Republic and its regions, analysis of major inflation factors, decisions made by the National Bank of the Kyrgyz Republic on monetary policy, and also presents inflation forecast for the upcoming period. It is published on a quarterly basis in Kyrgyz, Russian and English languages.

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## **Other Publications of the National Bank of the Kyrgyz Republic**

### ***Annual Report of the National Bank of the Kyrgyz Republic***

This publication is a last year statement of the National Bank of the Kyrgyz Republic (NBKR). It contains brief information about the country's economic development and monetary policy, financial statements of the NBKR, general information about the NBKR, and statistic annexes. It is published in Kyrgyz, Russian and English languages.

### ***Bulletin of the National Bank of the Kyrgyz Republic***

This monthly publication contains statistic data for major macroeconomic indicators and sectors of economy of the Kyrgyz Republic. It is published in Kyrgyz, Russian and English languages.

### ***Balance of Payments of the Kyrgyz Republic***

Balance of Payments of the Kyrgyz Republic reflects trends of external sector development, data of the payment balance, foreign trade, international reserves, external debt, and international investment position of the Kyrgyz Republic. It is published on quarterly basis in January, May, July, and October in Kyrgyz, Russian and English languages.

### ***Banking System Development Trends***

This publication provides an analysis and assessment of the development of Kyrgyz banking system as a financial intermediary, and components of its stability. It is published semiannually in Kyrgyz, Russian and English languages.

### ***Statutory Acts of the National Bank of the Kyrgyz Republic***

The objective of this document is to officially publish the statutory acts of the NBKR in order to provide commercial banks and general public with regulatory documents and information about NBKR activities, and to popularize the banking legislation of the Kyrgyz Republic. It is published, as a rule, once a month in Kyrgyz and Russian languages.

### ***Press Release of the National Bank of the Kyrgyz Republic***

Press Release of the NBKR contains the description of events related to the National Bank and banking system, major financial market data for the week and other information for mass media, legal entities and individuals. It is published on a weekly basis in Kyrgyz and Russian languages.

## CONTENT

CHAPTER 1. ECONOMIC SITUATION IN THE KYRGYZ REPUBLIC.....	5
1.1. Demand and Supply on Commodities and Services Market.....	5
1.1.1. Demand.....	5
1.1.2. Supply.....	10
1.2. Monetary trends .....	11
1.3. External Economic Conditions .....	16
1.4. Exchange rate.....	19
CHAPTER 2. INFLATION AND ITS COMPONENTS .....	20
2.1. Consumer Price Index Development .....	20
2.1.1. Dynamics of Prices for Food Products.....	20
2.1.2. Dynamics of Prices for Non-Food Products.....	21
2.1.3. Dynamics of Prices for Services .....	22
2.1.4. Dynamics of Consumer Price in Regions.....	23
2.2. Core inflation .....	24
CHAPTER 3. MONETARY POLICY DECISIONS OF THE NATIONAL BANK OF THE KYRGYZ REPUBLIC.....	26
3.1. Major Decisions of the NBKR Board .....	26
3.2. Major Decisions of the Monetary Regulation Committee .....	26
CHAPTER 4. INFLATION FORECAST .....	27
4.1. Forecast of Key Inflation Factor Dynamics .....	27
4.2. Inflation Forecast for 2012 and II quarter of 2012 .....	28
STATISTICAL ANNEX.....	30
GLOSSARY .....	34
ABBREVIATIONS.....	37

## Chapter 1. Economic Situation in the Kyrgyz Republic

### 1.1. Demand and Supply on Commodities and Services Market

#### 1.1.1. Demand

According to the preliminary data in January-March 2012, the volume of GDP at current prices constituted 50.8 billion KGS, having decreased by 6.8 percent against the corresponding index for the comparable period of 2011, whereas in January-March 2011, GDP increased by 0.6 percent. Exclusively of enterprises on exploration of gold-mining deposit "Kumtor", the GDP volume in the first quarter of 2012 increased by 4.5 percent (according to the results of the first quarter of 2011 the growth in the same index was 2.1 percent). GDP deflator according to the preliminary data for the first quarter of 2012 constituted 14.3 percent (in January-March 2011 the comparable index constituted 12.7 percent).

As per results of 2011, the GDP calculated by the expenditure method, increased by 5.7 percent as compared to the corresponding index of 2011 (in 2011 the decline was 0.5 percent). GDP growth was achieved through the growth in exports by 16.5 percent, and through the growth of households' consumption by 5.6 percent. Growth in domestic demand (the sum of final consumption expenditure and gross capital formation) was 4.1 percent in 2011; in 2010 the growth in a similar index was 0.4 percent. Considering substantial dependence of consumption on import, domestic demand growth has stimulated the growth of imports by 13.7 percent as per results of 2011.

**Table 1.1.1. Real GDP Growth Rates by Expenditure**

(period from the beginning of the year to the corresponding period of the previous year, percent)

	2010				2011			
	I	II	III	IV	I	II	III	IV
<b>Used GDP</b>	<b>17.3</b>	<b>6.3</b>	<b>-0.2</b>	<b>-0.5</b>	<b>0.6</b>	<b>4.9</b>	<b>8.3</b>	<b>5.7</b>
Final consumption	-5.0	-6.1	-2.9	2.0	6.7	8.5	6.4	5.2
Individual consumption	-5.4	-6.9	-3.3	2.2	7.1	9.2	6.9	5.5
Households	-5.5	-7.3	-3.3	2.9	7.5	10.0	7.2	5.6
NCOSH	-13.8	-10.8	-8.9	-6.7	11.2	10.7	7.3	4.7
Governmental Institutions	-2.3	-3.3	-2.5	-2.5	2.7	3.1	4.2	4.5
Collective consumption	-1.3	0.6	1.1	0.3	3.1	3.1	2.3	2.3
Gross savings	20.7	13.7	-1.0	-5.2	7.9	10.2	-2.3	0.3
Export	31.3	1.0	-9.2	-11.7	-13.8	6.6	19.5	16.5
Import	-1.1	-10.4	-8.1	-6.9	-0.8	11.6	13.8	13.7

Source: NSC KR

Remittances of labor migrants remain the main factor influencing the domestic demand growth in the country. According to preliminary data, in the first quarter of 2012 remittances constituted 25.3 percent to GDP, whereas in the first quarter of 2011 this index was 24.7 percent to GDP. The total volume of net inflow of remittances amounted to 280.2 million USD, having increased by 15.7 million USD or 5.9 percent, and growth rates as compared to the previous year decreased

(in the first quarter of 2011 the growth amounted to 37.6 percent). The bulk of remittances came from the CIS countries (Russia - 95.5 percent, Kazakhstan - 2.1 percent); 2.5 percent of the total inflow of remittances of individuals came from non-CIS countries.

**Table 1.1.2. Remittances of Individuals of the Kyrgyz Republic by Money Transfer Systems\***  
(million USD)

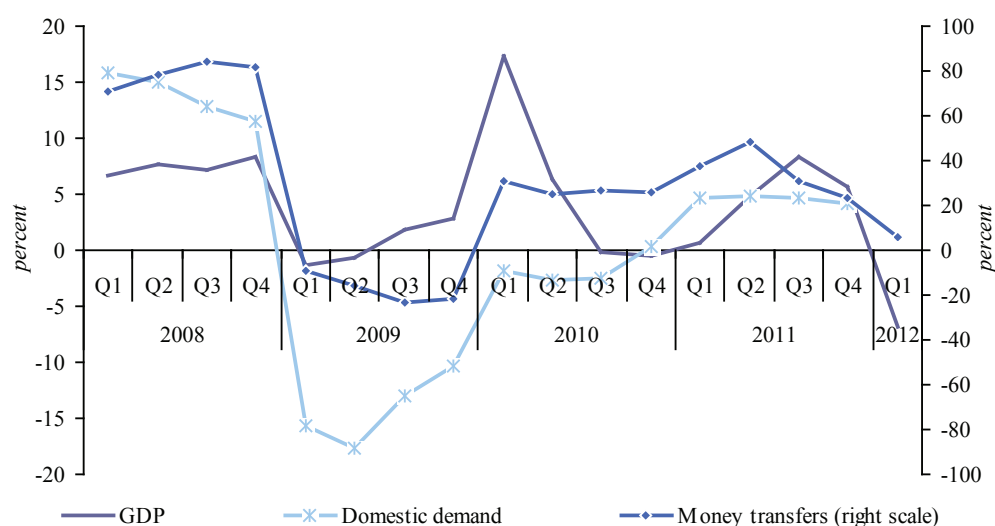
	2009	2010	2011	Jan-March 2011	Jan-March 2012**
<b>Balance</b>	<b>893.2</b>	<b>1,124.9</b>	<b>1,505.4</b>	<b>264.5</b>	<b>280.2</b>
<b>Inflow</b>	<b>966.7</b>	<b>1,252.6</b>	<b>1,695.4</b>	<b>301.8</b>	<b>324.2</b>
CIS countries	894.4	1,199.3	1,639.4	287.7	316.2
Kazakhstan	31.4	35.0	41.2	7.2	6.6
Russia	862.9	1,164.3	1,597.5	280.0	309.5
Others	0.0	0.0	0.7	0.5	0.0
Far-abroad countries	72.3	53.3	56.0	14.2	8.1
Belgium	0.5	0.2	1.4	0.1	0.0
Great Britain	1.4	1.4	1.5	0.5	0.3
Germany	0.7	9.9	15.7	4.8	1.1
USA	69.5	41.7	36.1	8.2	6.6
Others	0.3	0.1	1.3	0.6	0.0
<b>Outflow</b>	<b>73.6</b>	<b>127.6</b>	<b>190.1</b>	<b>37.4</b>	<b>44.1</b>
CIS countries	71.8	125.8	185.8	36.8	42.8
Kazakhstan	0.7	0.4	0.7	0.3	0.2
Russia	71.1	125.4	184.9	36.2	42.6
Others	0.0	0.0	0.3	0.3	0.0
Far-abroad countries	1.8	1.8	4.3	0.6	1.2
Belgium	0.2	0.5	0.6	0.1	0.0
Germany	0.4	0.3	1.4	0.3	0.2
USA	1.1	0.9	2.0	0.2	0.9
Others	0.1	0.2	0.3	0.0	0.1

\* Anelik, Blizko, Contact, Migom, MoneyGram, Western Union, Unistream, Zolotaya Korona, Leader, Bystraya Pochta, Allyur and other money transfer systems and remittances via the PE "Kyrgyzpochtasy".

This table is based on the location of the settlement bank conducting transactions between participants in the money transfer systems. Geographical location of the settlement bank may differ from the country of end sender/recipient of remittances.

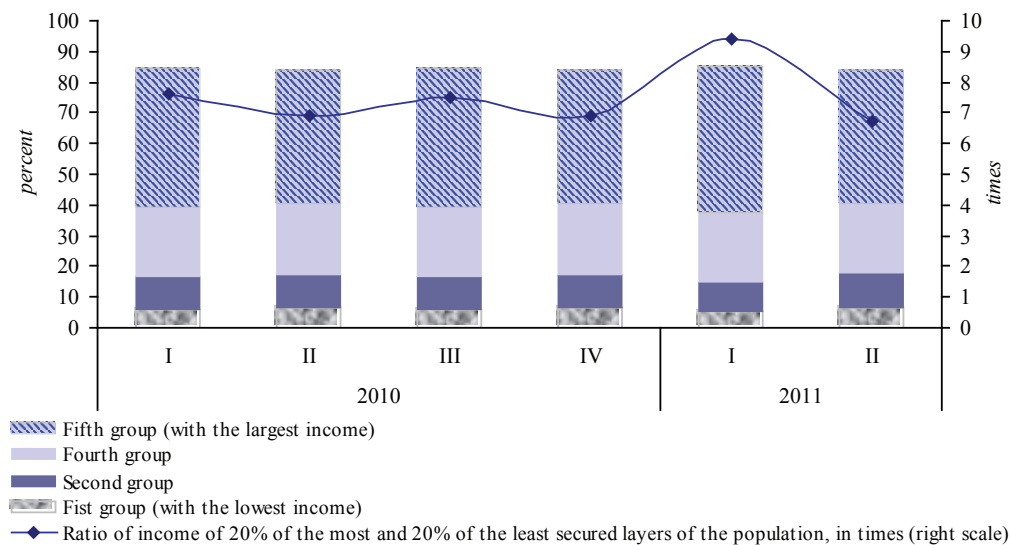
\*\* Preliminary data.

**Chart 1.1.1. Dynamics of Changes in GDP, Domestic Demand and Remittances**  
(period from the beginning of the year to the corresponding period of the previous year, percent)



According to the results of a sample survey of households in the second quarter of 2011 in the structure of money income of the population by quintile groups, the concentration of money income among the most wealthy population remains at high level. Thus, the share of the most wealthy group constituted 43.5 percent of total population income, having increased by 4.5 percentage points as compared to the corresponding index in 2010. The share of income of 20 percent of the least wealthy population constituted 6.4 percent, having increased by 0.1 percentage points.

**Chart 1.1.2. Composition of Household Money Income by Quintile Groups**  
(from the beginning of the year)



According to preliminary data of the Central Treasury of the Ministry of Finance, the state budget deficit for January-March 2012 amounted to 0.9 billion KGS or 1.9 percent to GDP (in January-March 2011 the budget was executed with a surplus of 3.2 percent to GDP).

State budget revenues from operating activities and received official transfers amounted to 17.3 billion KGS (34.1 percent to GDP), having increased by 14.3 percent as compared to the same period of January-March 2011. The largest contribution to growth in income made tax revenues (14.4 percentage points), while the contribution of non-tax revenues was 3.0 percentage points. Received official transfers declined by 35.4 percent as compared to the same period of previous year and, therefore, made a negative contribution to the growth of state budget revenues (-3.1 percentage points).

In the structure of tax revenues there is a decrease in revenue from taxes on income and profits by 2.7 percent or by 129.6 million KGS, formed mainly due to declining revenues from the tax on gross income of the enterprises on gold-mining deposit "Kumtor" by 54.5 percent or 1.1 billion KGS against a backdrop of the decline in production.

Total expenditures of the state budget for operating activities in January-March 2012 amounted to 17.7 billion KGS or 35.0 percent to GDP, having increased by

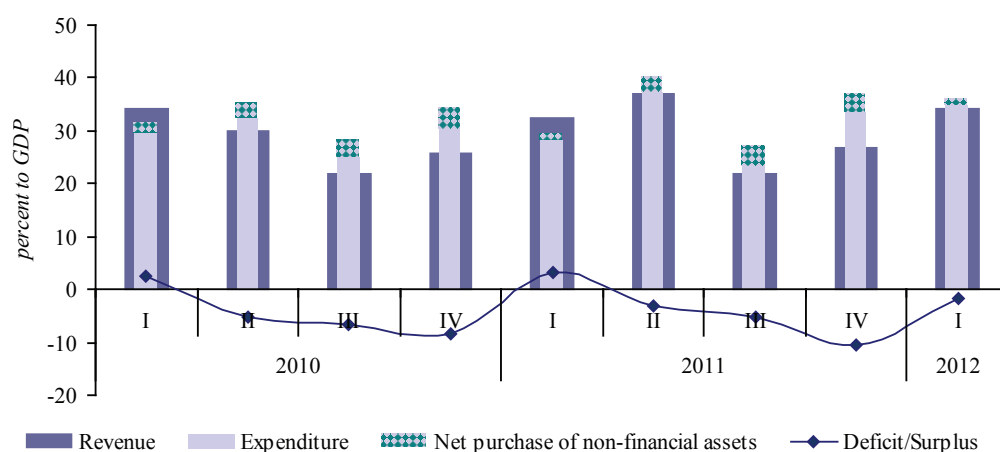
35.8 percent or 4.7 billion KGS against the comparable index of the corresponding period of January-March 2011.

Net cash outflow for operations on acquisition of nonfinancial assets amounted to 523.1 million KGS, which is by 59.5 million KGS or 10.2 percent less than the similar index of January-March 2011.

According to preliminary data of the Social Fund of the Kyrgyz Republic, deficit of the Social Fund budget amounted to 0.3 billion KGS or 0.6 percent to GDP, revenues - 6.8 billion KGS or 13.5 percent to GDP, expenditures - 7.2 billion KGS or 14.1 percent to GDP.

Consolidated budget deficit (state budget + the budget of the Social Fund) for the reporting period amounted to 1.3 billion KGS or 2.5 percent to GDP. Revenues amounted to 20.8 billion KGS or 41.1 percent to GDP and expenditure - 22.1 billion KGS or 43.6 percent to GDP.

**Chart 1.1.3. State Budget Implementation**  
(for the period)



According to preliminary data, the volume of investments into fixed capital in the first quarter of 2012 increased by 8.7 percent as compared to the corresponding index of 2011 and amounted to 6.1 billion KGS against decrease by 26.5 percent in 2011. In the sectoral structure of investments, more than half of investments (64.9 percent) were accounted for mining and manufacturing industries, commerce and education.



**Table 1.1.3. Investments in the fixed capital by sources of finances**

	Jan-March 2011	Jan-March 2012	January-March 2012	
	total, million KGS		share, percent	growth rate, percent
<b>Total</b>	<b>5,263.9</b>	<b>6,104.6</b>	<b>100.0</b>	<b>108.7</b>
<b>Internal investmets</b>	<b>4,287.2</b>	<b>5,250.7</b>	<b>86.0</b>	<b>114.8</b>
Republican budget (including funds intended for emergencies)	433.9	85.6	1.4	18.5
Local budget	41.7	10.9	0.2	24.5
Funds of enterprises and organizations	1,055.3	2,727.9	44.7	2.4 times
Bank credit	2.8	-	-	-
Population assets	2,753.5	2,426.3	39.7	82.6
<b>External investment</b>	<b>976.7</b>	<b>853.9</b>	<b>14.0</b>	<b>81.9</b>
Foreign credit	187.3	165.5	2.7	82.8
Foreign direct investment	587.4	448.9	7.4	71.6
Foreign grants and humanitarian aid	202.0	239.5	3.9	111.1

Source: NSC KR

*In 2009, the sources of investments were reclassified from the item “The Republican Budget” into “Bank Credits”. In 2011, financing of these investments was returned to the item “The Republican Budget”.*

In the first quarter of 2012, in the structure of financing sources of investments into the fixed capital there was an increase in investments due to domestic sources of financing and their decrease due to external sources of financing. Thus, the increase in domestic investments was 14.8 percent as compared to the corresponding index of 2011, whereas external investments decreased by 18.1 percent. The increase in domestic investments was provided by increased investment at the expense of enterprises and organizations (mainly due to increased investment in the enterprises on exploration of gold-mining deposit "Kumtor").

The volume of credit portfolio of commercial banks by results of March 2012 amounted to 32.7 billion KGS, having increased from the beginning of the year by 4.7 percent (in the first quarter of 2011 the credit portfolio of commercial banks grew by 1.4 percent). The growth of crediting by commercial banks of the country is found in all sectors of the economy: the highest growth of crediting in agriculture, the smallest growth in construction sector.

**Table 1.1.4. Sectoral Structure of Commercial Banks' Credit Portfolio**

	January-March 2011		January-March 2012	
	total, million KGS	growth rate, percents	total, million KGS	growth rate, percents
<b>Credit portfolio</b>	<b>26,749.2</b>	<b>101.4</b>	<b>32,685.7</b>	<b>104.7</b>
Trade and commercial operations	11,596.6	102.3	13,640.2	102.0
Agriculture	3,605.5	107.6	4,412.2	111.0
Industry	1,517.1	102.5	1,805.3	108.4
Mortgage	2,772.9	97.2	3,054.8	102.4
Construction	1,894.4	92.9	1,752.8	100.4
Consumer credits	1,877.7	99.7	2,923.4	106.3
Other	3,485.0	101.3	5,096.9	107.9

Credit portfolio of non-bank financial institutions (NBFI) at the end of 2011 amounted to 17.5 billion KGS, having increased over the year by 39.1 percent.

**Table 1.1.5. Sectoral Structure of NBFI's Credit Portfolio\***

	Jan-Dec 2010		Jan-Dec 2011	
	total, million KGS	growth rate, percent	total, million KGS	growth rate, percent
<b>Credit portfolio</b>	<b>12,577.2</b>	<b>34.0</b>	<b>17,493.3</b>	<b>39.1</b>
Agriculture	5,073.0	36.0	6,911.2	36.2
Trade and commercial transactions	3,310.5	7.1	4,553.1	37.5
Other	2,393.3	93.4	3,280.1	37.1
Services	545.8	14.9	492.3	-9.8
Consumer credits	613.3	50.5	1,251.4	104.0
Construction and mortgage	286.5	35.7	496.9	73.4
Industry	205.8	18.2	248.7	20.8
Transport and communication	116.8	200.4	215.0	84.0
Procurement and processing	32.3	40.4	44.7	38.2

\* NBFI loan portfolio, excluding loans granted by the Development Fund of KR and pawnshops.

### 1.1.2. Supply

The largest contribution to GDP decline made the industry enterprises (-8.6 percentage points) due to reduction in production volumes at enterprises on exploration of gold-mining deposit "Kumtor", whose contribution to GDP in January-March 2012 was -10.5 percentage points. At the same time a positive contribution to GDP growth made the enterprises of services (+2.1 percentage points), construction (+0.4 percentage points) and agriculture (+0.1 percentage points).

The volume of total supply of goods and services in the first quarter of 2012 was provided by trade sector by 16.7 percent, processing industry - by 13.2 percent, agricultural products - by 11.4 percent, transport and communication - by 10.7 percent of total GDP.

**Table 1.1.6. Contribution of Individual Activities to GDP Increase/Decrease**

	January-March 2011		January-March 2012	
	growth rate, percent	contribut. to growth, p.p.	growth rate, percent	contribut. to growth, p.p.
<b>Gross domestic product</b>	<b>0.6</b>	<b>0.6</b>	<b>-6.8</b>	<b>-6.8</b>
Gross added value	0.5	0.6	-6.8	-6.0
Agriculture, hunting & forestry	0.4	0.0	1.0	0.1
Mining industry	26.6	0.1	-3.7	0.0
Processing industry	-4.3	-1.0	-42.7	-9.8
Electricity, gas, and water generation and distribution	27.7	1.6	24.0	1.3
Construction	-20.7	-0.7	12.0	0.4
Trade, repair	-4.1	-0.6	6.8	1.1
Hotels and restaurants	-7.3	-0.1	5.5	0.1
Transport and communication	12.9	1.2	8.2	0.8
Financial activity	8.1	0.0	-2.6	0.0
Real estate transactions, rent	-2.5	-0.1	-3.1	-0.1
State management	3.3	0.2	2.4	0.1
Education	-1.2	-0.1	5.4	0.2
Health and provision of social services	2.2	0.1	1.5	0.0
Provision of utility and personal services	0.3	0.0	-4.9	-0.1
Net tax on products	0.6	0.1	-6.8	-0.8

Source: NSC KR

According to preliminary data, for the first quarter of 2012 the physical volume index (PVI) of industrial production decreased by 27.7 percent as compared to the corresponding index of 2011 (in the first quarter of 2011, the volume of industrial production grew by 1.4 percent). Decrease in PVI of industrial production was mainly due to the decline in mining and manufacturing industries (by 3.7 and 42.7 percent respectively). Growth was observed in the textile and clothing industry (37.6 percent), machinery and equipment (1.7 times), chemical manufacturing (27.7 percent). There was an increase in industrial production PVI at 17.2 percent excluding enterprises on exploration of gold-mining deposit "Kumtor", the similar index in 2011 was 11.9 percent.

In the reporting period, an increase in trade turnover amounted to 7.3 percent (in the same period of 2011 there was a decrease by 3.6 percent). There was growth of wholesale trade turnover by 7.2 percent against a decline by 3.3 percent in the first quarter of 2011, of retail trade by 6.1 percent against a decline by 5.4 percent in the first quarter of 2011.

**Таблица 1.1.7. Dynamics and Structure of Gross Turnover of Trade Operations**

	Jan-March 2011		Jan-March 2012	
	share, percent	growth rate, percent	share, percent	growth rate, percent
<b>Trade</b>	<b>100.0</b>	<b>96.4</b>	<b>100.0</b>	<b>107.3</b>
Trade in cars and their spare parts	3.2	96.6	3.0	102.1
Car maintenance	0.5	108.4	0.5	95.6
Retail trade in motor oil	9.9	106.1	11.3	116.8
Wholesale trade	30.5	96.7	30.0	107.2
Retail trade	55.7	94.6	55.0	106.1
Repair of household appliances	0.2	83.1	0.2	94.2

Source: NSC KR

## 1.2. Monetary trends

### Monetary base

As of April 1, 2012 the monetary base constituted 53.8 billion KGS, having decreased in the first quarter of 2012 by 1.9 percent (in the similar period of 2011 - by 7.2 percent).

In the first quarter of 2012 the monetary base decreased by 1.0 billion KGS. The National Bank through the instruments of monetary policy has reduced the monetary base by 2.3 billion KGS, the operations of the Government increased it by 1.3 billion KGS (in the first quarter of 2011 the reduction in the monetary base amounted to 3.5 billion KGS, the operations of the National Bank decreased the monetary base by 4.3 billion KGS, the contribution of the Government in the growth of the monetary base amounted to 0.8 billion KGS).

As of April 1, 2012 the money in circulation amounted to 48.3 billion KGS, having decreased in the reporting period by 3.1 percent (in the similar period of 2011 the decrease amounted to 5.6 percent).

During the reporting period, the share of cash in circulation in the structure of the monetary base decreased from 91.0 percent at the end of 2011 to 89.9 percent at the end of March 2012, respectively, the proportion of funds on correspondent accounts of commercial banks in the National Bank increased from 9.0 to 10.1 percent.

### **M2 Aggregate**

As of April 1, 2012 money stock M2 (M0 + deposits in the national currency) amounted to 62.6 billion KGS, having increased in the first quarter of 2012 by 0.7 percent (in the first quarter of 2011 M2 declined by 4.8 percent). The components of the monetary aggregate M2 changed as follows: the money outside of the banks (M0) decreased by 2.5 percent, while deposits in the national currency increased by 10.9 percent, including term deposits - by 15.1 percent, and transferable deposits (demand deposits) - by 8.7 percent.

### **M2X Aggregate**

The volume of M2X broad money (M2 + deposits in foreign currency) as of April 1, 2012 amounted to 81.0 billion KGS, having increased during the reporting period by 1.8 percent (in the first quarter of 2011 the M2X decreased by 3.7 per cent). The total amount of deposits included in the definition of broad money M2X increased by 8.1 percent, including deposits in the national currency increased by 10.9 percent, while deposits in foreign currency - by 5.7 percent (in the first quarter of 2011 there was a decrease in the total volume of deposits by 0.4 percent, while money outside of the banks - by 5.9 percent).

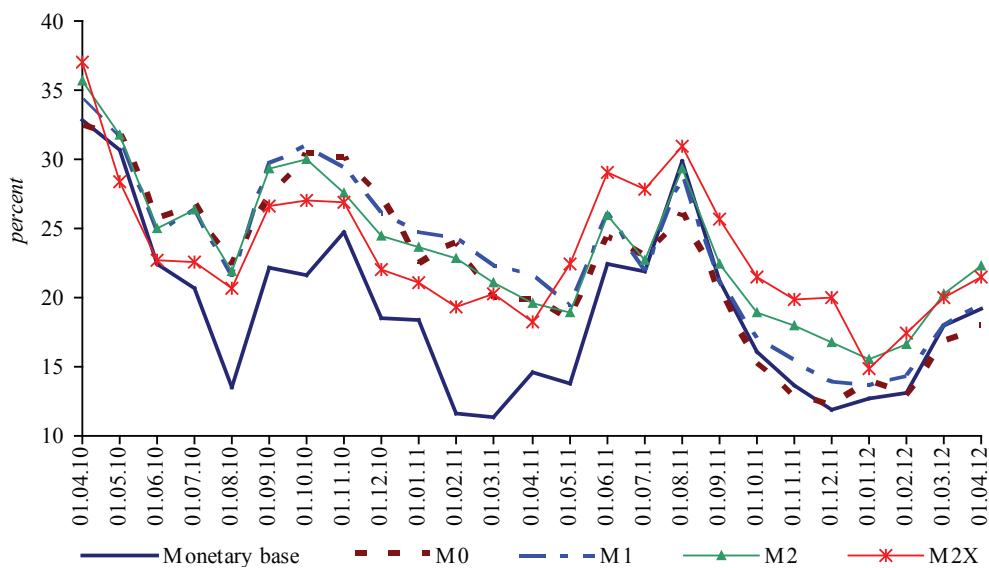
During the first quarter of 2012 the structure of money stock M2X changed as follows:

- the share of money outside of the banks decreased from 59.4 to 56.9 percent;
- the share of deposits in the national currency increased from 18.7 to 20.4 percent;
- the share of deposits in foreign currency increased from 21.9 to 22.7 percent.

The multiplier of M2X broad money, which is a measure of financial intermediation, has increased during the reporting period from 1.451 at the end of December 2011 to 1.505 at the end of March 2012 (at the end of March 2011 - 1.477).

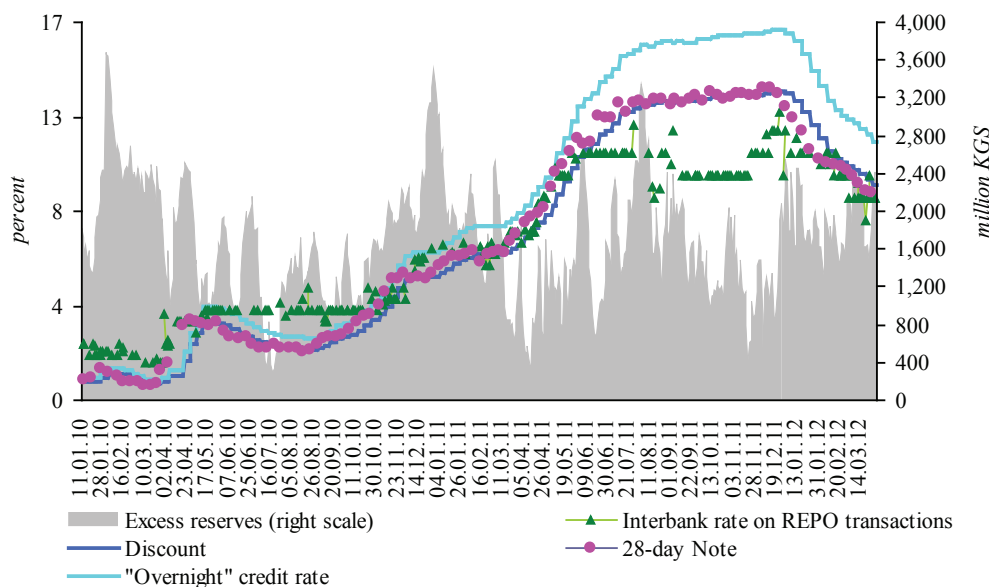
Coefficient of the economy monetization, calculated on the basis of M2X monetary aggregate, increased from 26.5 percent at the end of 2011 to 27.4 percent at the end of the first quarter of 2012 (at the end of the first quarter of 2011 - 27.4 percent). In the reporting period, the velocity of M2X broad money circulation decreased from 3.8 at the end of 2011 to 3.6 at the end of March 2012 (at the end of the first quarter of 2011 - 3.7).

**Chart 1.2.1. Annual Nominal Growth Rates of Monetary Aggregates**



The situation in the financial market in the first quarter of 2012 evolved in a relatively high level of liquidity in the banking system. The demand for state treasury bonds was still low - compared to the previous period there was a significant decline in their sales. However, the main indicators of the government securities market was forming against a background of lower profitability in all market segments.

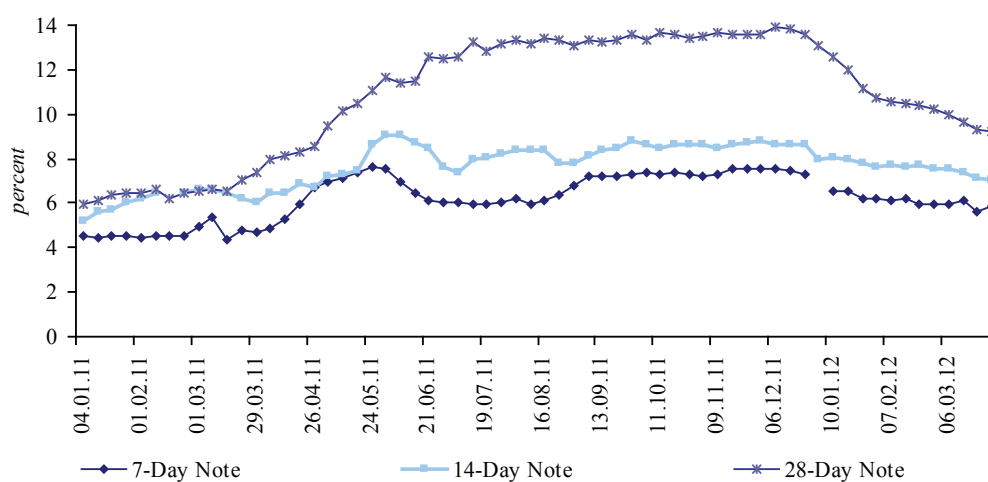
**Chart 1.2.2. Dynamics of Monetary Market Rates**



In the reporting period the National Bank continued to increase volumes of securities placed by it in the market, mainly due to increase in supply of 28-day notes, which achieved 5.5 billion KGS for the quarter, despite the fact that the corresponding figures for the 7- and 14-day notes decreased by 8.3 and 4.2 percent respectively. The focus of investors was also drawn towards the most profitable 28-day notes, the actual rate of sales for the quarter amounted to 5.9

billion KGS. As a result, overall sales exceeded the similar results of Q4 2011 by 23.5 percent making 8.5 billion KGS. In terms of securities types, the decline in profitability rate was due to a decrease in the weighted average profitability rate for all types of notes as compared to the previous quarter. In particular, the profitability of 7-day notes decreased by 1.3 percentage points, reaching 6.1 percent, 14-day notes - by 0.9 percentage points to 7.6 percent, 28-day notes - by 3.0 percentage points to 10.5 percent. However, in comparison with those of 2011, the profitability of 7- and 14-day notes increased by 1.5 percentage points, and 28-day notes - by 4.0 percentage points.

**Chart 1.2.3. Dynamics of the NBKR Notes Yield**



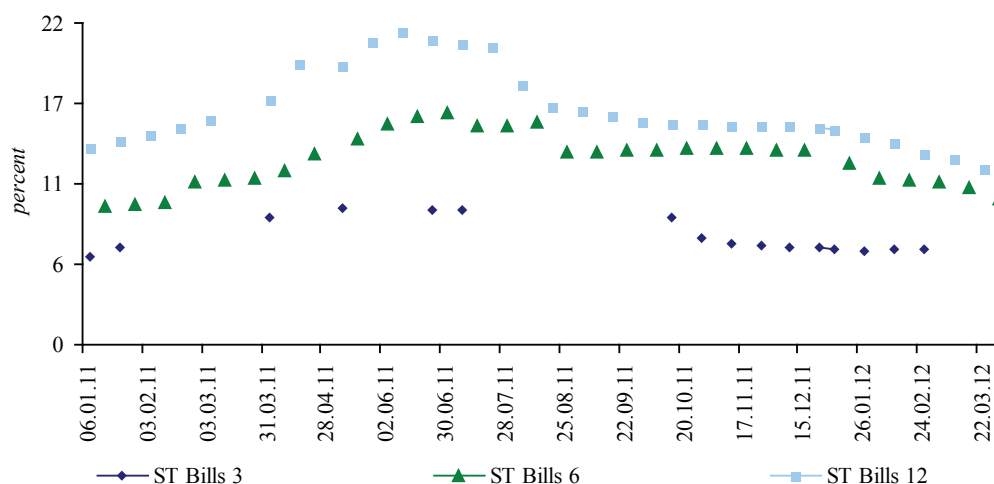
As of the end of March, the discount rate constituted 9.6 percent, having decreased from the beginning of the year by 4.1 percentage points. As a result, the rate on "overnight" also declined and constituted in average 13.6 percent during the quarter, while the volume of disbursed "overnight" credits amounted to 173.5 million KGS.

In the first quarter of 2012 there were held three auctions of ST-Bonds, for which in total were arranged allocation of securities amounting to 305.4 million KGS, which was 75.7 percent lower than in the previous quarter. The decline in sales reflects a significant drop in demand from investors, the lowest level of which was recorded at the beginning of the year, after which the average auction volume of sales began to level off again gradually upward. The volume of proposals (subject to additional allocations) fell to 159.4 million KGS in average per auction in the fourth quarter of 2011 to 137.0 million KGS in the reporting period. As a result, the average return on ST-Bonds in the first quarter of 2012 amounted to 16.0 percent (-1.1 percentage points). As for the similar period of 2011 the profitability rate of ST-Bonds decreased by 3.1 percentage points.

The total sales volume of ST-Bills in January-March, formed on the background of increasing demand for all types of securities offered, has increased as compared to the previous period by 23.2 percent to 1.0 billion KGS. Despite the increased activity in the market, the average yield on securities decreased to 12.2 percent

(-1.7 percentage points). In this, the 3-month yield of ST-Bills decreased by 0.7 percentage points, reaching 6.5 percent, 6-month ST-Bills – by 1.8 percentage points to 11.5 percent, 12-month ST-Bills – by 1.7 percentage points to 13.3 percent. Compared to the similar quarter of 2011 the index of total ST-Bills profitability rate decreased by 1.2 percentage points due to the decrease in the profitability in the segment of 3- and 12-month ST-Bills by 1.0 and 1.4 percentage points respectively, while the profitability of 6-month ST-Bills increased by 1.0 percentage points.

**Chart 1.2.4. Dynamics of ST-Bills Yield**



At the same time the volume of interbank transactions on purchase/sale of ST-Bills to maturity (on terms of an "outright") on the secondary market rose by 20.9 percent and constituted 39.7 million KGS. The weighted average term to maturity of ST-Bills in these transactions amounted to 241 days, while the average monthly rate - 11.6 percent.

In the first quarter of 2012 there was a decrease in demand for resources by the parties to the interbank credit market in the absence of sharp fluctuations in liquidity in the banking system. And the decline in allocated loan funds on all types of loans provided in the national currency affected the reduction in the cost of KGS resources.

Thus, the total volume of loans in the national currency in the interbank market of credit resources amounted to 1.4 billion KGS, having decreased as compared to the corresponding index of the previous quarter by 22.6 percent. Most transactions were still in the segment of repo-transactions making 1.3 billion KGS (-24.0 percent), while the volume of KGS credit operations amounted to 40.0 million KGS (-60.4 percent). In the reporting period, the weighted average interest rate on repo-transactions decreased by 0.3 percentage points to 10.3 percent, on credit transactions - by 0.7 percentage points to 10.0 percent. As compared to the weighted average interest rate in the same quarter of 2011, the rates on repo and standard credit transactions increased by 3.5 and 3.0 percentage points respectively.



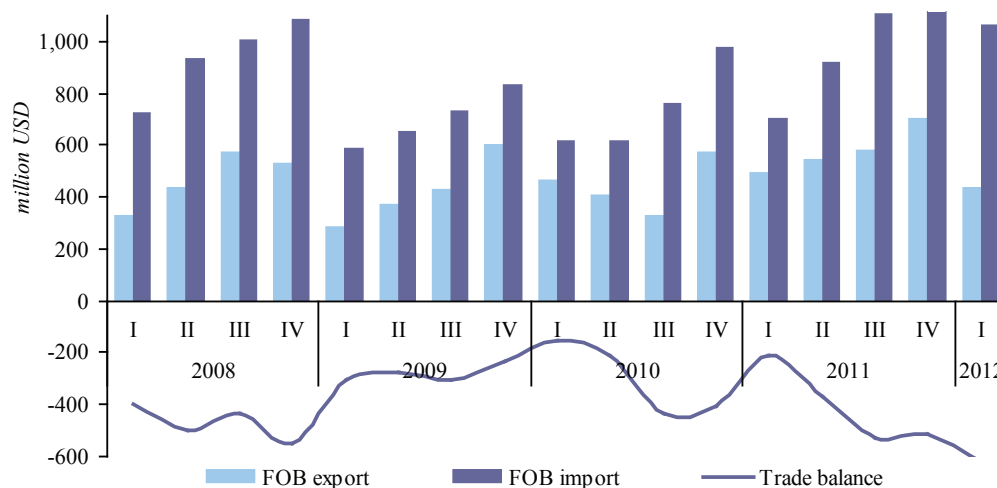
In the reporting period, the total volume of transactions in foreign currency on the domestic interbank market of credit resources amounted to 79.6 million KGS with an average interest rate of 1.5 percent per annum.

### 1.3. External Economic Conditions

Pursuant to the preliminary data, the deficit of trade balance<sup>1</sup> of the Kyrgyz Republic in the first quarter of 2012 increased by 2.9 times and amounted to 623.5 million USD as compared to the similar period of the previous year.

The external turnover in the reporting period increased by 25.5 percent in comparison with the corresponding period of 2011 and amounted to 1 502.4 million USD.

Chart 1.3.1. Foreign Trade



Exports of goods (in FOB prices) in the first quarter of 2012 amounted to 439.5 million USD, having decreased by 10.7 percent compared to the first quarter of 2011. During the reporting period the volume of exports of gold decreased significantly, this resulted in reducing the proportion of this item in total exports. Nevertheless, gold took a major share (27.9 percent) of total exports, which in total expression was 122.8 million USD. Moreover, there was a decrease in the supply of vegetables, diesel fuel, metal scrap and waste of ferrous metallurgy, as well as vehicle spare parts and accessories. Along with this, there was an increase in the supply of iron and steel, cotton, fruits and nuts, jet fuel (re-export) and the electric current.

<sup>1</sup> According to data of the NSC KR and SCS KR including NBKR adjustments, unless otherwise stated.



**Table 1.1.8. Functional structure of exports**  
*in % to total*

	2009	2010	2011	3 mon.11	3 mon.12*
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Consumer goods	16.1	23.6	20.6	18.4	21.0
Food products	7.5	11.1	9.7	9.6	10.2
Non-food products	8.7	12.6	10.9	8.8	10.8
Raw materials	21.8	13.6	5.9	2.2	17.5
Intermediate goods	43.7	52.3	61.1	71.4	45.0
Investment goods	2.7	2.5	3.3	1.4	6.7
Energy products	15.7	7.9	9.0	6.6	9.7

\* preliminary data.

During the reporting period the shares of the main groups of exported goods<sup>1</sup> were as follows: intermediate goods – 45.0 percent, consumer goods – 21.0 percent, raw materials – 17.5 percent, energy products and investment goods – 9.7 and 6.7 percent, respectively.

Exports of consumer goods increased by 0.7 percent and constituted 82.5 million USD. This trend was provided by increasing the supply of non-food goods by 8.2 percent, while deliveries of food products decreased by 6.2 percent.

Reducing the supply of foodstuffs is mainly due to decrease in the exports of vegetables (by 35.9 percent or 10.3 million USD) and drop in the volume of supply of coffee and tea (36.0 percent or 0.4 million USDs). Also reduced the physical volumes of supplies of mineral water and soft drinks, which led to a reduction in exports volume of this item by 33.5 percent or 0.4 million USD. At that, there was the growth of exports of fruits and nuts by 2.5 times (4.7 million USD) and dairy products by 1.5 times (1.9 million USD).

In the structure of non-food products, the exports growth was achieved at the expense of such commodity items as clothes and clothing accessories (by 6.7 percent or 1.7 million USD) and incandescent lamps (by 7.5 percent or 0.3 million USD). Along with this, there was a reduction in the supply of footwear (by 47.2 percent or 0.3 million USD).

Imports of goods<sup>2</sup> in FOB prices in the first quarter of 2012 increased by 1.5 times and amounted to 1 062.9 million USD. The main items of imports that determined its dynamics were petroleum products, used vehicles, natural gas, fertilizers, iron and steel. Among the items mentioned, the greatest change fell within petroleum products (increase by 2.8 times or 208.0 million USD). Due to increased physical volume of income, there was a substantial increase in imports volume of diesel fuel (by 3.0 times or 47.8 million USD) and gasoline (by 2.1 times or 57.6 million USD).

<sup>1</sup> Here and after according to data of the NSC KR and SCS KR excluding NBKR adjustments.

<sup>2</sup> CIF imports amounted to 1 330.7 million USD, the trade balance deficit – 663.2 million USD.

**Table 1.1.9. Functional structure of imports**

	2009	2010	2011	3 mon.11	3 mon.12*
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Consumer goods	32.1	34.5	37.7	40.3	29.6
Food products	12.0	13.5	13.6	15.6	11.1
Non-food products	20.1	21.0	24.1	24.6	18.5
Raw materials	6.3	3.7	3.6	4.4	3.9
Intermediate goods	22.4	21.2	22.2	21.4	20.3
Investment goods	12.9	14.1	13.8	14.1	12.4
Energy products	26.4	26.5	22.7	19.8	33.7

\* preliminary data.

In the functional structure of imports<sup>1</sup> during the reporting period, there was a substantial increase in the share of energy products (33.7 percent of total imports volume), so that, despite the increase in the value, the share of consumer goods declined to 29.6 percent. Intermediate goods took 20.3 percent of imports, investment goods - 12.4 percent.

In the reporting quarter, the imports of consumer goods reached the amount of 342.1 million USD, having increased by 11.2 percent. At that, there was a more dynamic growth trend in non-food items than in food products (13.4 and 7.8 percent, respectively).

In the structure of food products, as a result of the growth of physical volume supplies with a slight decrease in import prices, increased supply of vegetable oils and fats (by 48.0 percent or 4.0 million USD). Also, mainly due to an increase in import prices, there was an increase in the volumes of imports of other food products<sup>2</sup> (by 30.4 percent or 1.9 million USD), fruits and nuts (by 1.0 percent or 0.1 million USD). At the same time, the reduction in the physical volume of supplies led to decrease in the value of imports of coffee and tea (by 25.3 percent or 4.2 million USD), flour (by 43.4 percent or 3.8 million USD) and meat (18.4 percent or 3.8 million USD).

In the structure of non-food products, both due to the physical volume growth, and due to growth in import prices, there was an increase in the value of the supply of used vehicles and cars by 1.9 times (32.2 million USD). Also, during the reporting period, shipments of cigarettes in terms of value grew by 32.5 percent or 2.0 million USD. At that, the reduction in the purchase price with an increase in physical volume resulted in reduced supplies of medicaments (by 19.4 percent or 8.1 million USD). In addition, there was a reduction in import supplies of cars and vehicles for the transportation of people (by 3.0 times or 4.5 million USD), essential oils (by 17.7 percent or 3.0 million USD), clothes and clothing accessories (by 6.8 percent or 1.9 million USD) and footwear (by 12.5 percent or 1.2 million USD).

<sup>1</sup> Here and after in CIF prices, according to data of the NSC KR and SCS KR excluding NBKR adjustments.

<sup>2</sup> Mixtures of vitamins and minerals designed for a balanced supplement to the diet, protein concentrates, baby food, etc.

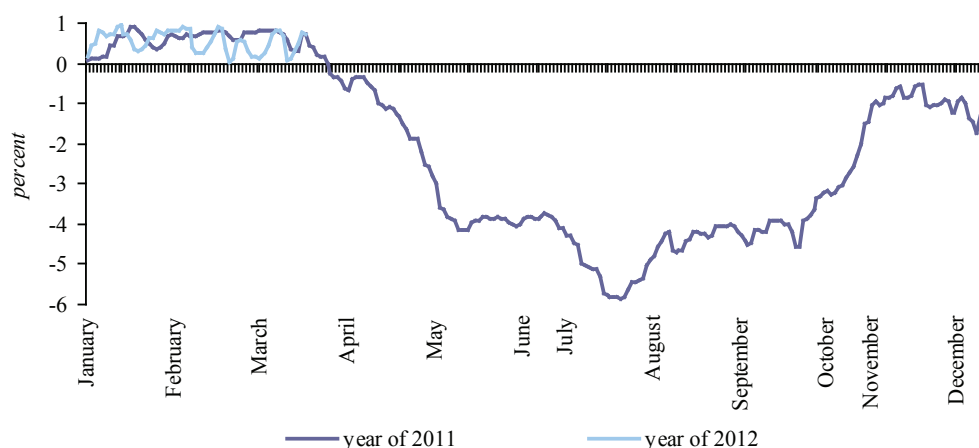
## 1.4. Exchange rate

In January-March 2012 there was observed multidirectional dynamics of change in the U.S. dollar exchange rate. The situation with the growth in rate in the first month was influenced by maintained upward trend of the previous year due to an increase in the volume of servicing of import contracts of consumers of banking products and services. After a slight drop in the next month, the exchange rate again increased (by 0.7 percent), established at a rate of 46.8275 at the end of March (in March 2011 the exchange rate fell by 0.5 percent).

As part of the monetary policy, the National Bank has substantially reduced its presence in the domestic currency market through the implementation of interventions in national and foreign currencies. In general, the balance of market supply and demand observed during the reporting period allowed to limit the participation of the NBKR - the volume of transactions carried out by it for the sale of U.S. dollars as compared to the previous quarter decreased by 68.6 percent to 35.1 million USD, while the volume of transactions for the purchase of U.S. dollars fell by 71.3 percent, amounting to 4.8 million USD (as compared to the similar period of 2011 the volume of transactions of the NBKR for the sale decreased by 43.9 percent, transactions for the purchase of currency in the first quarter of the previous had not been performed). Thus, the index of net sales for the period amounted to 30.3 million USD. The currency of NBKR's intervention was the U.S. dollar; transactions in other currencies were not carried out.

At the end of March, the USD discount rate amounted to 46.8275 KGS/USD, having increased for the quarter by 0.7 percent (according to the first quarter of 2011, the USD discount rate was 47.2448 KGS/USD, having increased in the quarter by 0.3 percent).

Chart 1.4.1. Rates of Change of the USD Discount Rate



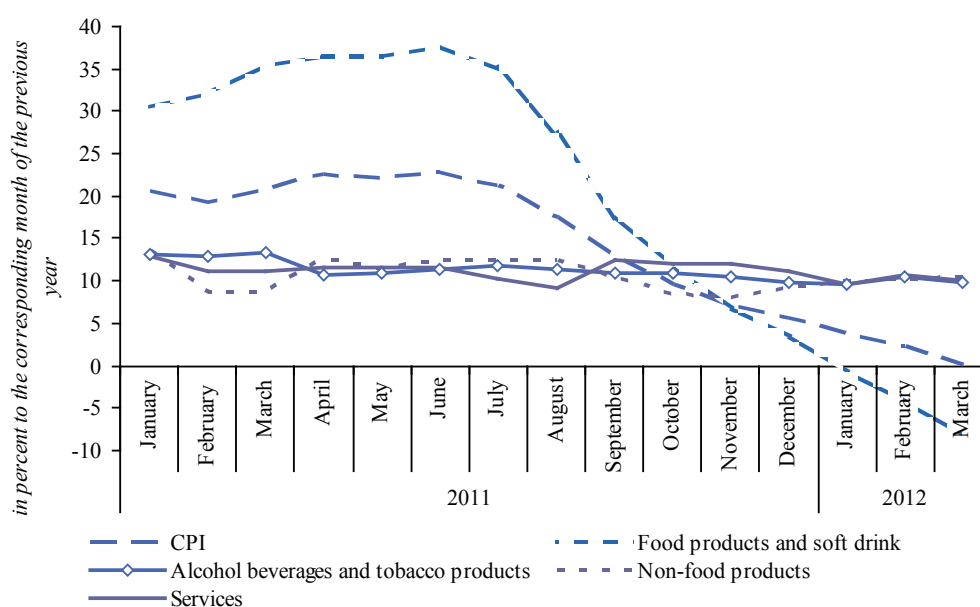
## Chapter 2. Inflation and its Components

### 2.1. Consumer Price Index Development

The annual value of inflation in March 2012 (against March 2011) amounted to 0.2 percent, while the corresponding index in 2011 was 20.9 percent. The rise in prices for non-food goods made the greatest contribution to the structure of the CPI basket. This group of products on an annualized basis increased by 10.4 percent, prices for food products declined by 8.3 percent, the prices for alcoholic beverages and tobacco rose by 9.8 percent, for paid services – by 10.1 percent.

In the first quarter of 2012, the decline in prices of basic food products (bakery products and cereals, fruits and vegetables, meat, sugar) continued in the country against the backdrop of slowing growth in world food prices under the influence of high yield in 2011.

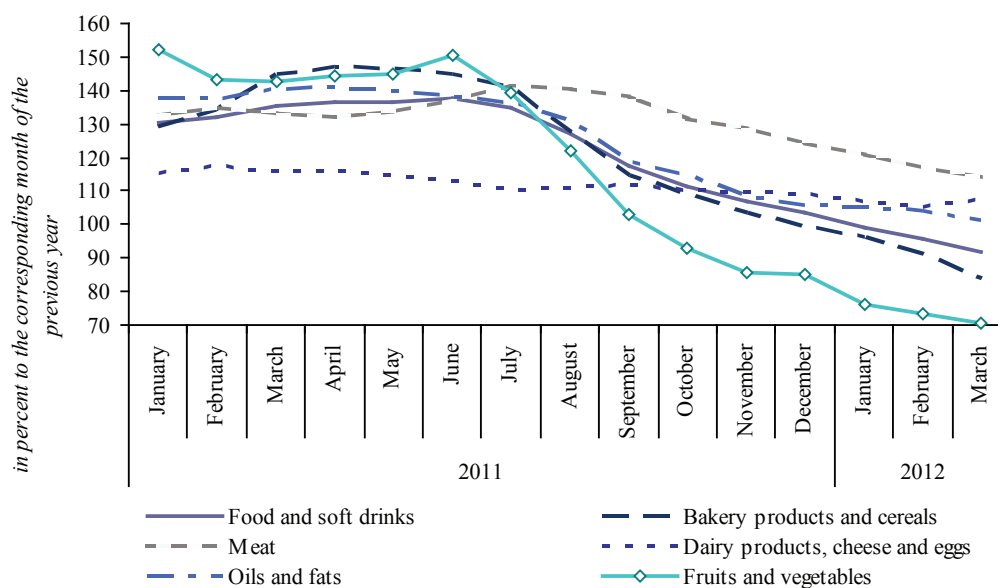
Chart 2.1.1. Annual Dynamics of CPI and its Components



During the first quarter of 2011 the consumer price index was 100.9 percent (in the first quarter of 2011 - 106.4 percent). Index of prices for food was 99.4 percent, for alcoholic beverages and tobacco products - 101.2 percent, for non-food products - 102.6 percent, for paid services - 101.6 percent.

#### 2.1.1. Dynamics of Prices for Food Products

According to the results of March 2012, the prices for food products on an annualized basis declined by 8.3 percent (in the corresponding period of 2011, the prices on an annualized basis increased by 35.3 percent), the group of goods “bakery products and cereals” dropped in price by 15.8 percent, including first-grade wheat flour - by 26.9 percent. At that, in the first quarter of 2011 bakery products and cereals fell by 3.8 percent, mainly on the background of the continuing influence of the rich harvest of grain and other crops in the producing countries and in the republic. Prices for dairy products on an annualized basis rose by 6.4 percent, while prices for fruits and vegetables declined by 29.4 percent.

**Chart 2.1.2. Annual Dynamics of Prices for Food Products**

As per results of the first quarter of 2012, the prices for fruits and vegetables increased by 3.2 percent, including the prices for fruits increased by 1.6 percent, for vegetables rose by 3.9 percent. In annual terms, the commodity group "fruits and vegetables" became cheaper by 29.4 percent: prices for fruits decreased by 15.3 percent, for vegetables fell by 34.4 percent.

Prices on the world sugar market maintain stability, causing the stability of prices in the domestic market of Kyrgyzstan. In annual terms, the prices for this product decreased by 20.8 percent, while in March 2011 the prices for sugar increased by 19.3 percent on an annualized basis.

The continuing influence of the rich yield of oil-bearing crops in the country and in the producing countries causes a slowdown in growth in domestic prices for oils and fats. Thus, the annual growth rate of prices for goods of the group "oils and fats" by results of March 2012 amounted to 1.2 percent against the growth by 40.4 percent by results of March 2011.

In the first quarter of 2012 there was an increase in consumer prices for dairy products, which amounted to 1.6 percent. On an annualized basis, the prices for dairy products increased by 7.3 percent, which was 1.6 percentage points lower than in December 2011.

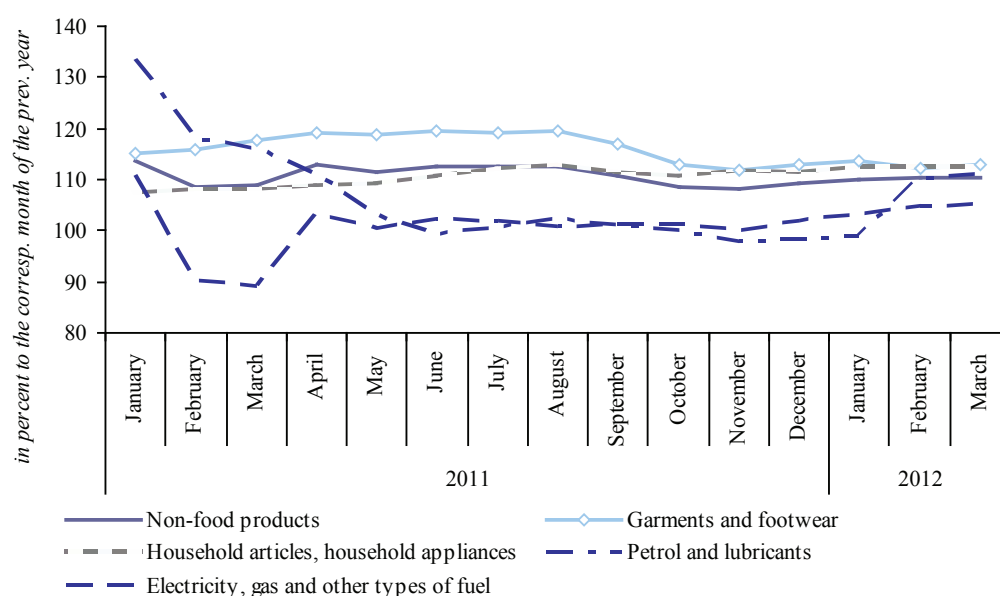
Prices for meat products by results of March 2012 rose on an annualized basis by 14.4 percent. Since the beginning of 2012 the prices for meat started a slight decrease (by an average of 0.1 percent per month), which was largely due to lower cost of imported meat.

### 2.1.2. Dynamics of Prices for Non-Food Products

Growth in the price index for non-food products on an annualized basis amounted to 10.4 percent, which was by 1.6 percentage points lower than in 2011. Thus, prices for clothes and footwear increased by 12.8 percent, mainly due to the rise in

price of men's and women's clothes by 11.5 percent and 11.0 percent respectively. There was recorded an increase in prices for the group of “electricity, gas and other types of fuel” (+5.2 percent on an annualized basis). There was an increase in prices for the group of "household articles and household appliances" (+12.7 percent). The main cause of this dynamics was the rise in prices for household textiles (+15.0 percent), as well as furniture and floor coverings (+12.4 percent). The cost of fuel and lubricants on an annualized basis rose by 11.1 percent, including the price of petrol rose by 11.4 percent, prices for diesel fuel - by 16.2 percent. During the first quarter of 2012 the price of petroleum products declined by 2.4 percent, including gasoline fell by 2.7 percent, diesel fuel increased in price by 1.4 percent.

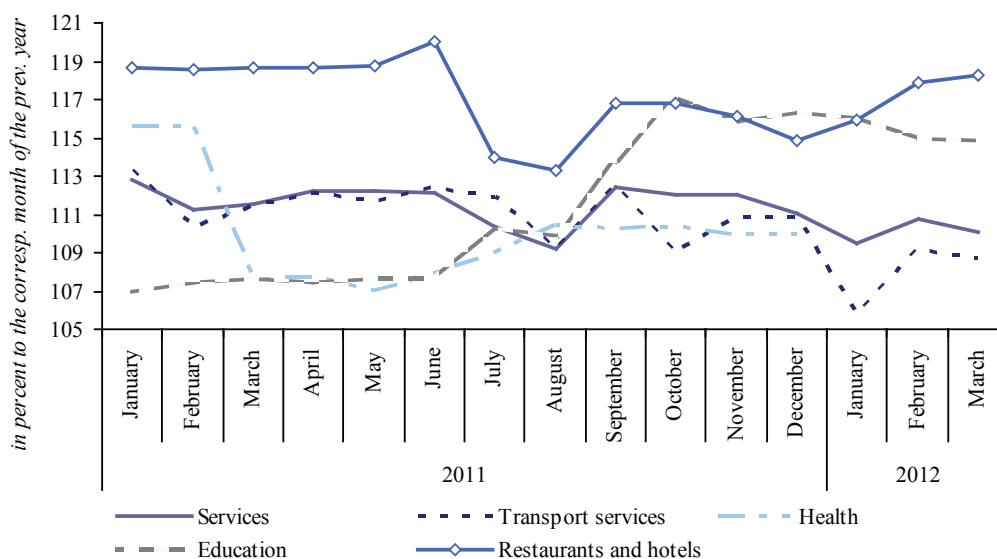
**Chart 2.1.3. Annual Dynamics of Prices for Non-Food Products**



### 2.1.3. Dynamics of Prices for Services

The price index for paid services for the reporting period grew in annual terms by 10.1 percent (for the same period in 2010 - 11.6 percent). The index growth in this group occurred mainly due to the rise in prices for services of restaurants and hotels by 18.2 percent, education services (+14.8 percent) and transport services (+8.7 percent). Health services rose by 11.7 percent.

**Chart 2.1.4. Annual Dynamics of Prices for Paid Services**

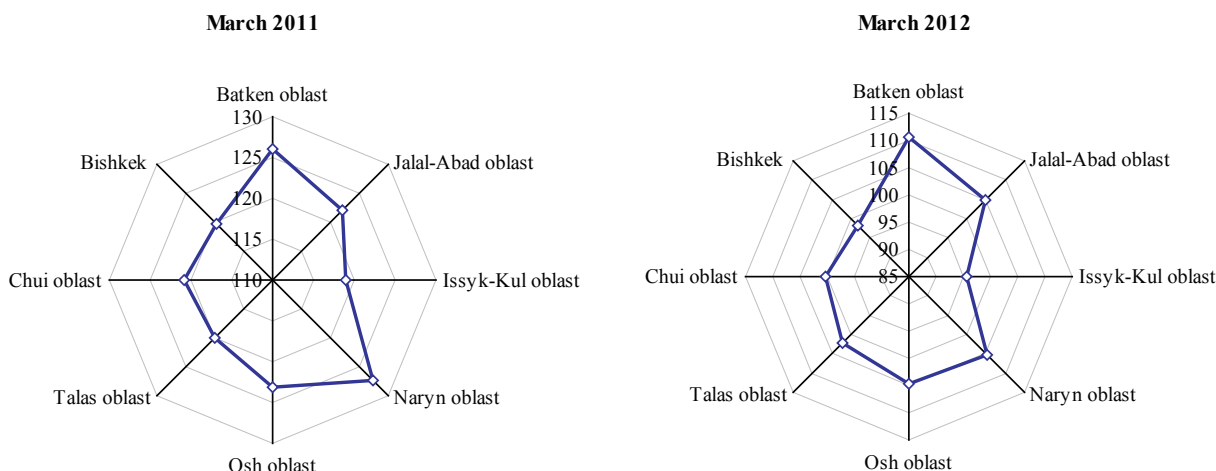


**2.1.4. Dynamics of Consumer Price in Regions**

As per results of March 2012 there was a slowdown in growth in the overall level of consumer prices in all regions of the country. In Batken and Osh oblasts the prices rose by 10.5 and 4.6 percent, respectively, in Jalal-Abad oblast - by 4.9 percent, in Talas oblast - by 2.0 percent, in Naryn oblast - 5.2 percent. In Chui oblast the prices rose by 0.3 percent, in Issyk-Kul oblast the price index fell by 4.3 percent.

In the capital of the republic there was a decrease in prices by 1.9 percent; at that, food products fell by 9.6 percent, alcohol beverages and tobacco products increased in price by 7.9 percent, nonfood goods - by 6.3 percent and paid services - by 6.8 percent.

**Chart 2.1.5. Annual CPI in Regions**  
(percent)





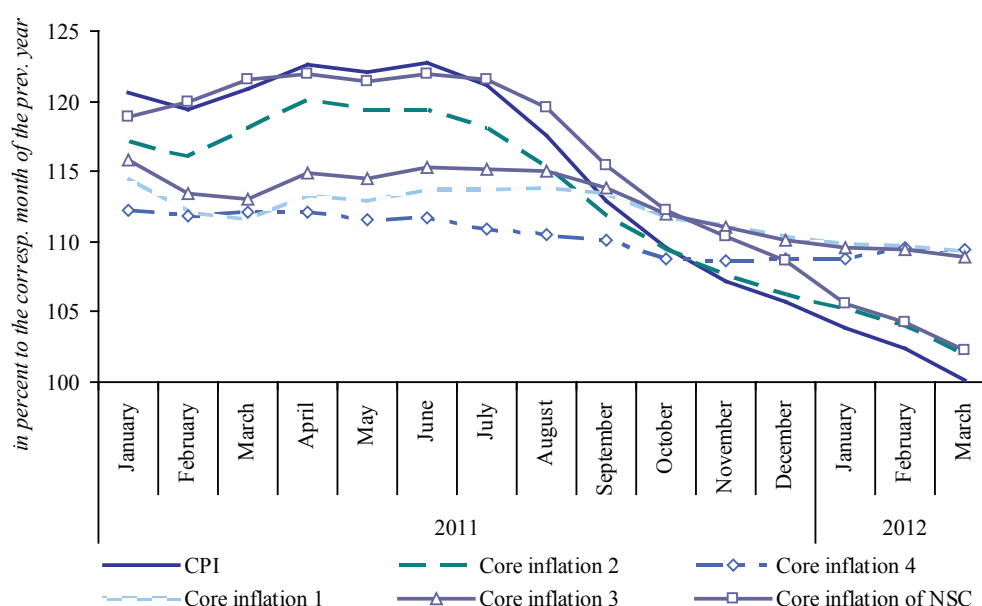
## 2.2. Core inflation

Core inflation is defined as an indicator of price dynamics excluding short-term, structural and seasonal changes in prices, that is, the growth in prices of goods due to seasonal and external factors such as poor harvest, the price shock in the market of oil products, the administrative changes in tariffs, etc. is excluded from the calculation of the inflation rate.

Dynamics of core inflation calculated by means of the method of simple exclusions is described below. The method involves the exclusion from the CPI of certain categories or an entire group of goods and services whose prices are highly sensitive to shocks, having usually one-time and/or short-term nature. Traditionally, such goods include some of the food products, energy resources and tariffs administratively established by the Government.

The value of the core inflation estimated in accordance with the methodology of the NSC KR by results of March 2011 amounted in annual terms to 2.3 percent, while the "crude" inflation rate - 0.2 percent. It should be noted that the graphical representation of core inflation indicator 4 indicates that the emerging trends in the food market are the determinant for the dynamics of consumer prices in the country. This indicator has a stable dynamics and a small dispersion of values.

**Chart 2.2.1. Annual Dynamics of the Estimated Core Inflation Indicator**



Core inflation 1 – excluded the following types of goods: (1) bakery products and cereals, (2) oils and fats, (3) fruits and vegetables, (4) gas, (5) materials for repair and construction.

Core inflation 2 - excluded the following types of goods: (1) meat, (2) fruits and vegetables, (3) gas, (4) materials for repair and construction.

Core inflation 3 - excluded the following types of goods: (1) bakery products and



cereals, (2) dairy products, (3) fruits and vegetables, (4) gas, (5) materials for repair and construction.

Core inflation 4 - excluded all food products and electricity, gas and other fuels.

Core inflation of NSC - excluded milk, sugar, certain types of fruits and vegetables, alcoholic and tobacco products, petroleum products, product group “electricity, gas and other types of fuel”, passenger transport services, communication and some other.

## **Chapter 3. Monetary Policy Decisions of the National Bank of the Kyrgyz Republic**

### **3.1. Major Decisions of the NBKR Board**

In the first quarter of 2012 the Board of the National Bank of the Kyrgyz Republic (hereinafter - the NBKR Board) adopted the following decision on monetary policy:

In order to assess the current situation in the monetary sphere and to analyze the key sectors of the economy, on February 27, 2011 the NBKR Board considered and approved a report on monetary policy for 2011 (resolution No. 9/1). Abridged version of the report on monetary policy for 2011 was sent to Jogorku Kenesh, President's Office, Government Office, Ministry of Finance and Ministry of Economy and Antitrust Policy of the Kyrgyz Republic, as well as posted on the official website of the NBKR.

### **3.2. Major Decisions of the Monetary Regulation Committee**

Monetary Regulation Committee (hereinafter - MRC) develops and takes operative decisions in the monetary sphere. The MRC makes decisions every week based on an assessment of the situation prevailing in the money market. In the period under review the volumes of transactions to regulate liquidity in the banking system were defined by the MRC based on the goals and objectives identified by the NBKR Board specified in the Basic Guidelines of Monetary Policy for 2012-2014, the monetary program for the coming period, as well as taking into account the state of the banking system and the situation in the fiscal sphere.

12 meetings were held by the MRC during the reporting period. Regulation of liquidity in the banking system was carried out through weekly auctions of NBKR notes as well as through transactions for the sale of government securities under REPO terms for an additional exemption of excess reserves of commercial banks.

Given the continuing risk of inflation in the country, the MRC in the first quarter of 2012 increased the indicative amount of the NBKR notes in circulation from the level of 1.5 billion KGS at the end of 2011 to 2.2 billion KGS at the end of March 2012.

In the first quarter of 2012, the volume of sales of the NBKR notes amounted to 8.5 billion KGS, the volume of sales of government securities under REPO terms amounted to 1.9 billion KGS. The volume of the NBKR notes in circulation at the end of March 2012 amounted to 2.1 billion KGS. Net sales of U.S. dollars by the NBKR during the reporting period in KGS equivalent amounted to 1.4 billion KGS.

## Chapter 4. Inflation Forecast

### 4.1. Forecast of Key Inflation Factor Dynamics

According to the baseline GDP forecast for 2012, published in the publication "Inflation Report in the Kyrgyz Republic for IV quarter 2011", the economic growth in the country was expected to be 5.0 percent. This forecast was based on the assumption that current trends in the economy would maintain, taking into account the risks of external economic nature: macroeconomic imbalances in the global economy, the beginning of the upward movement of prices on the commodities markets and the risk of re-recession in the global economy.

In March of this year, "Centerra Gold Inc." announced the revision of the forecast of production on the deposit "Kumtor" for 2012, according to which during the 2012 the volume of gold production was expected at 12.1-12.8 tons instead of the previously announced 17.8-19.4 tons. This message has made significant adjustments to the forecast of economic development of the country. It is assumed that such a decrease in production volumes can have a negative impact on economic growth, the budget allocations will be reduced, which may lead to an increase in state budget deficit. In addition, the stated reduction in gold production will change the forecast of the country's balance of payments (the decline in gold exports volume, the reduction in the volume of foreign direct investment (part of reinvested earnings) and earnings on them, as well as in terms of services).

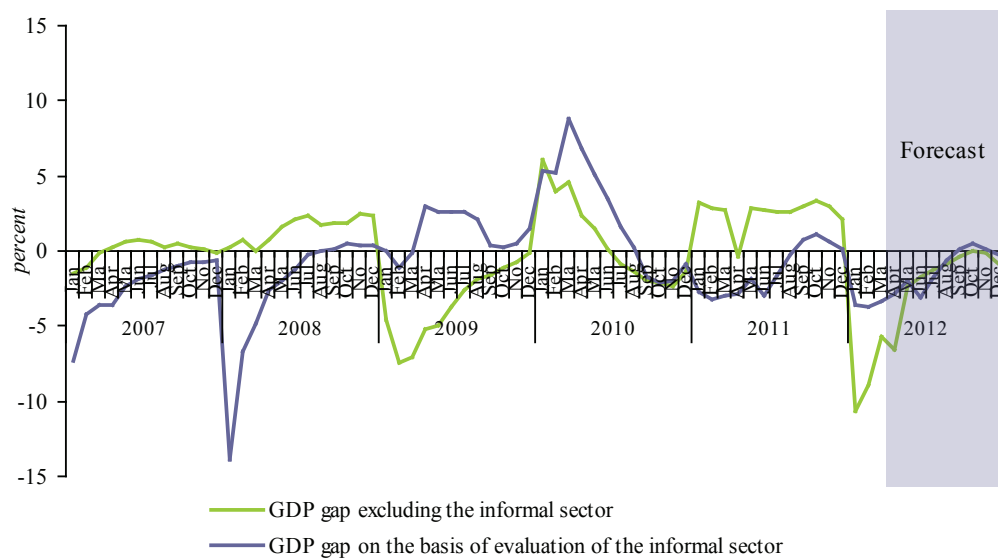
An additional factor contributing to the change in the forecast of GDP, were the data on agriculture in the first quarter of 2012. Low levels of sowing, formed by the transfer of early seeding at a later date due to the prolonged cold weather, observed in all crops. Behind schedule of the spring field work may lead to reduction in future crops due to displacement of the ripening period on a cold period and the difficulties associated with the harvest in late autumn. The decline in production of agricultural products could trigger the growth of consumer dependency on imports and reduction in exports volume of agricultural products (in 2011 exports of agricultural products was 19.6 percent of total exports of the Kyrgyz Republic). At that, it should be noted that the scale of damage from late spring field work can be fully assessed only at the end of this work.

Severe climatic conditions and the prolonged winter also negatively affect the livestock industry. Consequently, the decline in production volume of this industry will negatively affect the growth rate of output of agricultural products.

In general, at the moment, there are various estimates of the forecast of economic growth of the Kyrgyz Republic that fluctuate in the range of 1.5-5.0 percent.

In the first quarter of 2012 there was a negative GDP gap including and excluding the informal sector. The gap of GDP, calculated on the basis of official figures of the NSC KR, was on average twice as high than the gap including the informal sector. According to the updated forecast in 2012 it is expected that the potential GDP will exceed its actual value.

**Chart 4.1.1. Forecast of Actual and Potential GDP**



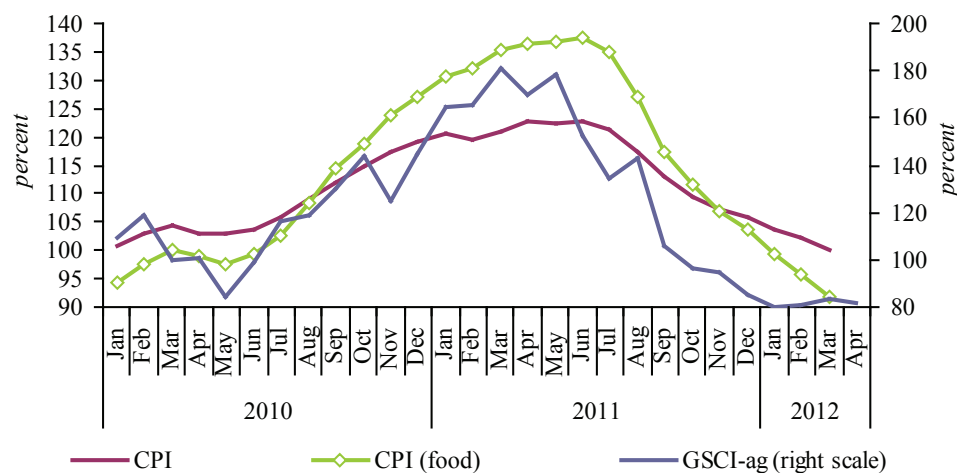
**4.2. Inflation Forecast for 2012 and II quarter of 2012**

Prices on world commodity markets continue to have a significant impact on domestic inflation in Kyrgyzstan, because of the high dependence of consumption on import supplies.

In general, in 2012, the inflation expectations remain at 8-9 percent, with a moderate increase in prices for food products, a reduction in the accumulated inflation expectations of the population and the absence of some significant external and internal shocks of supply and demand.

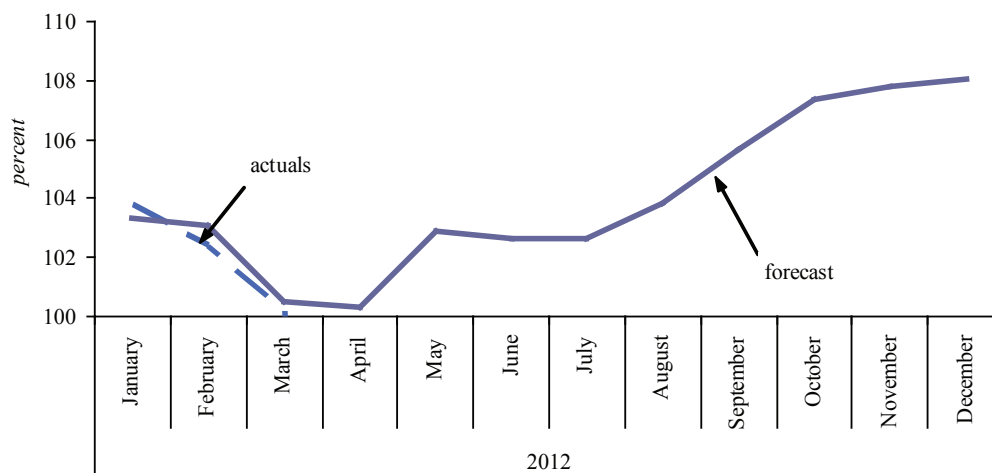
There is a high correlation of the Kyrgyzstan CPI (in annual terms) and the GSCI-ag index, indicating a dependence of domestic inflation on the prices on world commodity markets.

**Chart 4.2.1. Annual Dynamics of CPI and GSCIag\***



\* GSCI-ag (Goldman Sachs Commodity Index-agricultural) –index of prices for actively traded futures contracts on physical food (agricultural) products - developed by an investment bank «Goldman Sachs» to provide these commodities as a group.

**Chart 4.2.2. Annual Inflation Forecast**

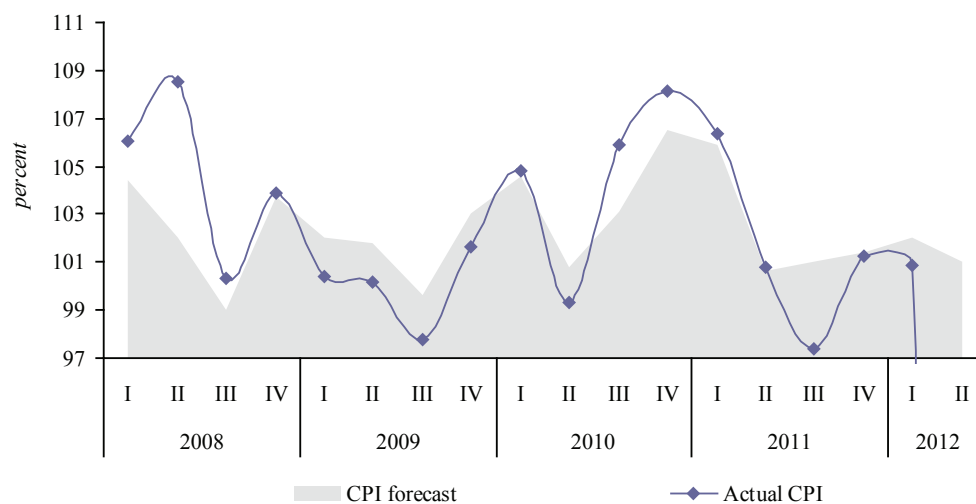


In 2012, the CPI dynamics will be characterized by considerable volatility in the background of irregular dynamics of prices in 2011. Thus, the first half of 2011 was characterized by high level and moderate price dynamics, while in the second half the price level fell sharply. Consequently, in the first half of 2012 the annual rate of price change (the current month to the corresponding month of the previous year) will remain at low levels and accelerate in the second half of 2012.

The actual rate of inflation in the first quarter of 2012 (0.9 percent) was formed below the forecast for this period (2.0 percent), which was published in the publication "Inflation Report in the Kyrgyz Republic for IV quarter of 2011". The main reason for the slowdown of inflation in the first quarter of 2012 was larger than expected decline in prices for food products.

In the second quarter of 2012 the dynamics of inflation will be largely determined by the dynamics of prices for food and fuel, as well as people's expectations about the prospects for economic growth and a favorable business environment. The increase in prices in the second quarter of 2012 is forecasted at about 1.0 percent, it is expected that annual inflation in this period will range from 0.5 to 1.1 percent.

**Chart 4.2.3. Inflation Forecast for quarter II of 2012**



## Statistical Annex

**Table 1. Consumer price index**  
(month to corresponding month, percents)

	2012		
	January	February	March
<b>Consumer price index for goods and services</b>	<b>100.8</b>	<b>100.1</b>	<b>100.0</b>
Goods	100.8	99.9	100.0
Food and soft drinks	100.7	99.3	99.4
Alcoholic beverages and tobacco	100.1	100.9	100.2
Non-food products	101.3	100.6	100.7
Services	100.7	100.7	100.2
Alcoholic beverages and tobacco products	100.7	99.3	99.4
Bakery products and cereals	98.2	98.7	99.2
high-grade wheat flour	98.0	99.2	99.4
first-grade wheat flour	94.9	96.9	98.7
bread	99.4	99.4	99.3
Meat	101.9	99.8	98.6
Fish	102.3	100.0	101.1
Diary products, cheese and eggs	102.1	100.2	98.9
Oils and fats	100.0	99.5	99.6
Fruits and vegetables	103.6	98.5	101.1
fruits	100.0	100.8	100.8
vegetables	105.1	97.6	101.3
Sugar, jam, honey, chocolate and candies	101.1	99.3	100.0
sugar	100.8	99.0	100.1
Other food products	100.9	100.4	99.5
Soft drinks	101.0	101.1	98.8
Strong drinks and tobacco products	100.1	100.9	100.2
strong drinks	100.0	101.2	100.0
tobacco products	100.5	99.9	100.8
Garments and footwear	101.9	100.2	102.1
garments	102.2	100.1	100.1
fabric for garments	102.6	100.0	100.2
garments for men	102.1	100.2	100.1
garments for women	102.3	99.7	100.2
children and newborns garments	102.2	100.3	99.4
cleaning, mending and renting garments	100.4	102.9	100.1
footwear including repair	101.2	100.3	106.8
men footwear	100.2	99.9	106.4
women footwear	101.1	100.5	108.3
children footwear	102.4	100.3	102.8
shoe repair	100.0	100.1	113.2
Housing services, water, electricity, gas and other fuels	101.2	100.6	99.2
house rent	100.0	100.0	100.0
services for dwelling premises maintenance and repair	100.1	100.7	101.3
brick	97.0	101.3	101.2
carving wood	98.3	100.1	100.0
cement	99.5	100.1	100.4
flat glass	100.0	101.3	100.0
construction sand	100.0	101.5	100.0
slate	106.3	100.0	99.7
services for dwelling premises maintenance and repair	100.0	100.0	100.2
water supply	99.5	100.0	100.0
electricity, gas and other types of fuel	101.4	100.7	98.9
gas	108.5	100.4	99.3
Household articles, household appliances	101.0	101.2	100.5
furniture and floor coverings	100.1	100.2	99.3
household textile items	100.9	103.5	100.5
home appliances	100.1	100.6	103.4
glassworks, tableware and household stuff	102.3	102.4	100.2
Health	101.5	101.4	100.5
Transport	99.4	100.3	99.9
purchase of cars	99.8	100.5	99.7
petrol and lubricants	99.4	98.3	99.9
gasoline	99.4	98.2	99.7
diesel	99.9	99.2	102.2
maintenance and repair of personal vehicles	100.0	100.5	94.3
transport services	99.3	100.7	100.1
Communication	100.0	100.0	100.0
Recreation, entertainment and culture	100.4	101.1	101.1
cultural events services	100.4	100.3	100.0
papers, books and stationary	100.4	101.2	100.2
Education	100.3	100.0	100.0
Restaurants and hotels	102.9	102.0	100.5
catering	103.0	102.1	100.5
hotel service	100.0	100.1	100.1
Various goods and services	101.1	101.3	100.6
personal service	101.3	101.4	100.3
personal demand items, which are not included into other categories	100.0	101.0	103.3
other services, which are not included into other categories	100.0	100.0	100.0

Source: NSC KR

**Table 2. Consumer price index**  
(month to corresponding month of the previous year, percents)

	2012		
	January	February	March
<b>Consumer price index for goods and services</b>	<b>103.8</b>	<b>102.4</b>	<b>100.2</b>
Goods	102.8	101.0	98.6
Food and soft drinks	99.3	95.8	91.7
Alcoholic beverages and tobacco	109.7	110.6	109.8
Non-food products	110.0	110.3	110.4
Services	109.5	110.8	110.1
Alcoholic beverages and tobacco products	99.3	95.8	91.7
Bakery products and cereals	96.0	91.1	84.2
high-grade wheat flour	91.0	86.3	79.5
first-grade wheat flour	90.2	82.3	73.1
bread	102.2	98.6	92.6
Meat	120.9	117.0	114.4
Fish	115.2	114.2	114.5
Diary products, cheese and eggs	107.1	105.2	107.3
Oils and fats	105.0	104.3	101.2
Fruits and vegetables	76.2	73.5	70.6
fruits	86.1	85.5	84.7
vegetables	72.4	69.0	65.6
Sugar, jam, honey, chocolate and candies	98.2	93.3	92.1
sugar	84.9	79.2	79.2
Other food products	107.6	105.4	105.9
Soft drinks	110.6	110.9	106.7
Strong drinks and tobacco products	109.7	110.6	109.8
strong drinks	108.7	110.0	109.8
tobacco products	112.2	111.9	109.7
Garments and footwear	113.8	112.4	112.8
garments	112.1	111.2	111.1
fabric for garments	112.7	112.8	112.7
garments for men	111.5	110.6	111.5
garments for women	111.8	111.2	111.0
children and newborns garments	112.9	111.6	110.1
cleaning, mending and renting garments	110.9	109.9	108.7
footwear including repair	117.8	114.8	116.1
men footwear	125.9	118.0	120.4
women footwear	116.0	114.1	115.5
children footwear	112.0	113.3	112.3
shoe repair	110.4	107.9	114.4
Housing services, water, electricity, gas and other fuels	103.2	104.5	104.6
house rent	114.8	114.2	114.2
services for dwelling premises maintenance and repair	107.9	108.9	107.7
brick	99.8	101.1	99.3
carving wood	108.0	108.0	105.2
cement	95.1	96.4	95.1
flat glass	107.3	109.5	109.5
construction sand	117.2	118.9	108.4
slate	111.3	111.4	111.0
services for dwelling premises maintenance and repair	95.7	95.7	95.9
water supply	105.8	105.8	105.8
electricity, gas and other types of fuel	103.6	105.0	105.2
gas	99.9	101.4	101.3
Household articles, household appliances	112.5	112.6	112.7
furniture and floor coverings	115.5	113.7	112.4
household textile items	111.5	115.4	115.0
home appliances	110.7	110.1	113.7
glassworks, tableware and household stuff	107.5	110.0	109.8
Health	112.0	112.0	111.7
Transport	103.4	106.9	106.6
purchase of cars	99.4	99.7	99.4
petrol and lubricants	99.0	110.4	111.1
gasoline	99.1	110.6	111.4
diesel	104.8	115.4	116.2
maintenance and repair of personal vehicles	100.3	100.8	95.1
transport services	105.8	109.1	108.7
Communication	103.1	103.1	100.0
Recreation, entertainment and culture	111.6	111.9	111.3
cultural events services	117.3	115.2	113.9
papers, books and stationary	117.0	116.9	113.6
Education	116.0	114.9	114.8
Restaurants and hotels	115.9	117.9	118.2
catering	116.0	118.1	118.5
hotel service	110.0	108.2	108.1
Various goods and services	106.4	107.3	107.5
personal service	106.5	107.6	107.5
personal demand items, which are not included into other categories	107.7	107.5	111.1
other services, which are not included into other categories	99.0	97.7	95.9

Source: NSC KR



**Table 3. Indices of prices and physical volume of imports for January-February 2012**

Product name	2 mon.	2 mon.	2 mon.	Indexes		
	2012	2011	2011	price	phys. vol.	value
	mln. USD n12*p12	mln. USD n12*p11	mln. USD n11*p11			
A	B	C	A/B	B/C	A/C	
Petroleum, petroleum products and related materials	155.3	133.4	87.0	1.16	1.53	1.79
Natural gas in gaseous state	36.6	19.2	17.1	1.91	1.12	2.14
Cast-iron and steel	23.2	21.1	12.8	1.10	1.65	1.82
Medicaments (including veterinary medicaments)	19.8	37.9	27.6	0.52	1.37	0.72
Electric wire telephone or telegraph sets	14.1	7.6	10.1	1.87	0.74	1.39
Sugar, sugar products and honey	13.3	16.3	15.1	0.82	1.08	0.88
Fertilizers	13.0	8.7	8.1	1.50	1.08	1.61
Meat and meat products	12.3	10.4	12.5	1.18	0.83	0.98
Crops (including eincorn) and mangcorn, unmilled	11.7	22.3	11.7	0.52	1.91	1.00
Coffee, tea, cocoa, spices and their products	11.7	11.4	9.9	1.03	1.14	1.17
Inorganic chemicals	11.2	15.8	4.6	0.71	3.40	2.40
Essential oils and resinoids and perfume materials	10.2	7.9	10.3	1.28	0.77	0.99
Vehicles for cargo transportations and vehicles of special assignment	9.3	193.3	15.6	0.05	12.36	0.59
Plastics in prime form	9.3	8.1	3.8	1.15	2.14	2.45
Rubber tires	9.2	9.4	5.8	0.98	1.60	1.57
Coal, coke and briquette	8.2	7.1	4.7	1.15	1.50	1.73
Paper, cardboard and products made of paper stock, paper and cardboard	8.0	7.5	7.8	1.06	0.96	1.02
Food products and preparations not included into other categories	7.5	3.9	4.2	1.96	0.91	1.79
Vegetable oils and fats, raw materials, refined or fractionated	7.4	7.7	4.8	0.96	1.62	1.55
Compressed wood and restored wood	7.3	6.6	3.7	1.11	1.79	1.99
Vegetables and fruits	6.6	5.1	5.4	1.28	0.96	1.22
Refractory bricks and other refractory construction materials	6.2	2.1	0.0	2.98	2,971.00	8,853.77
Woven fabrics made of artificial textile materials	6.2	8.4	7.0	0.73	1.21	0.88
Imperfect metal products not included into other categories	5.4	4.0	3.8	1.32	1.05	1.39
Products from grain and products from flour or starch	5.3	5.5	3.4	0.97	1.60	1.55
Machines for mixing, grading, leveling, excavating or drilling of soil	5.2	2.3	4.0	2.26	0.57	1.29
Other machines for drilling and tunneling	5.2	1.8	2.4	2.85	0.75	2.14
Coarse flour, low-ground flour, wheat and mangcorn flour	5.0	7.4	3.2	0.67	2.32	1.55
Electric communication equipment not included into other categories	4.3	0.4	0.3	9.56	1.59	15.24
Footwear with rubber or synthetic sole and upper	4.1	4.1	3.7	0.99	1.12	1.11
Hand and machine tools	3.6	2.8	1.5	1.30	1.93	2.51
Plastics in non-prime form	3.5	3.6	2.5	0.97	1.42	1.39
Sawed or spitted lengthwise conifer wood	3.4	3.3	2.3	1.04	1.44	1.49
Alcohol beverages	3.1	2.5	2.9	1.25	0.88	1.10
Margarine and combined fats	2.8	2.7	2.2	1.04	1.26	1.31
Machines for automatic data processing and their blocks	2.6	1.2	1.3	2.19	0.93	2.04
Fish (non-marine animals), crustacean mollusks and aquatic invertebrates	2.5	2.2	1.5	1.13	1.46	1.65
Electric and heat devices not included into other categories	2.5	1.7	1.2	1.50	1.38	2.06
Sugar-sweetened mineral water and soft drinks	2.4	2.0	2.7	1.19	0.76	0.91
Trailers and semi-trailers for the transport of goods	2.4	3.0	0.7	0.81	4.44	3.60
Design and construction elements of cast iron not included into other categories	2.4	2.7	0.8	0.88	3.43	3.01
Medical and pharmaceutical products	2.1	2.1	1.9	1.04	1.11	1.15
Jackets, pullovers, cardigans, waistcoats and similar articles	2.1	1.9	2.0	1.10	0.92	1.01
Raw tobacco; tobacco waste	2.0	1.1	1.6	1.84	0.67	1.24
Cars and vehicles for transportation of people	1.9	1.6	1.9	1.17	0.82	0.96
Machines for sorting, sieving, separating of ground coats, stones and ores	1.9	2.6	0.8	0.71	3.17	2.24
Floor coverings	1.8	1.2	1.2	1.51	1.04	1.57
Hardboard	1.8	1.4	1.4	1.33	0.99	1.31
Various chemical products not included into other categories	1.8	1.3	1.5	1.39	0.88	1.22
Knitted or crocheted garments for women and girls	1.8	2.1	0.9	0.86	2.28	1.96
Milk, cream and dairy products, except butter and cheese	1.8	1.9	1.3	0.95	1.37	1.31
Coloring and tanning matters and dyes	1.7	1.8	1.3	0.98	1.37	1.34
Glass containers; glass corks; glass products for thermoses	1.7	1.7	2.0	0.99	0.88	0.88
Copper	1.6	1.7	1.5	0.96	1.13	1.09
Batteries and electric accumulators; their spare parts	1.6	2.6	1.4	0.60	1.90	1.13
Insecticides, rodenticides, fungicides, herbicides	1.6	1.4	1.2	1.15	1.10	1.27
Electric accumulators	1.5	1.6	0.9	0.99	1.73	1.71
Household refrigerators and freezers	1.5	1.1	1.1	1.34	1.08	1.44
Glazed ceramic tiles	1.5	1.5	1.2	1.00	1.23	1.23
Electrical distribution equipment not included into other categories	1.5	1.8	1.6	0.85	1.10	0.93
Household laundry equipment	1.5	1.3	1.2	1.13	1.07	1.21
Trousers, coveralls, breeches and shorts	1.5	1.2	1.0	1.24	1.18	1.46
Products from non-metallic minerals not included into other categories	1.5	1.3	0.7	1.12	1.78	1.99
Mechanical shovels, excavators and scoop loaders	1.4	11.9	5.1	0.12	2.36	0.28
Electric transformers	1.4	4.2	0.1	0.33	29.63	9.86
Filtering and purifying machinery for liquids or gases	1.4	0.5	0.5	2.87	0.99	2.85
Hosiery, knitted or crocheted	1.4	1.4	1.0	0.98	1.39	1.37
Furnaces and ovens, stoves, boilers, grills	1.4	0.7	0.7	2.13	0.89	1.90
Textile yarn	1.4	1.3	1.3	1.04	1.03	1.07
Nails, screws, nuts, bolts, rivets, etc. of iron, steel or copper	1.4	1.3	1.4	1.08	0.89	0.97
Dishwashers; machines for filling, capping caps	1.3	0.7	0.5	1.77	1.46	2.58
<b>Nomenclature Total (mln, USD)</b>	<b>532.2</b>	<b>682.7</b>	<b>370.5</b>	<b>0.78</b>	<b>1.84</b>	<b>1.44</b>
<b>Nomenclature Total (% of total imports)</b>	<b>75%</b>		<b>79%</b>			
<b>Total import</b>	<b>710.6</b>		<b>471.1</b>			

According to the NSC at FOB prices; the Table demonstrates the fist 71 import large items

n - physical volume of goods imports

p - estimated import price of the goods



**Table 4. Indices of prices and physical volume of exports for January-February 2012**

Product name	2 mon.	2 mon.	2 mon.	Indexes		
	2012	2011	2011	price	phys. vol.	value
	mln. USD	mln. USD	mln. USD			
n12*p12	n12*p11	n11*p11	A/B	B/C	A/C	
	A	B	C			
Gold, nonmonetary (excluding gold ores and concentrates)	96.3	80.0	255.1	1.20	0.31	0.38
Petroleum, petroleum products and related materials	15.2	10.6	15.0	1.44	0.70	1.01
Vegetables and fruits	14.5	12.6	21.4	1.15	0.59	0.68
Cotton	9.5	10.0	3.8	0.95	2.61	2.49
Electrical current	6.7	5.5	3.3	1.22	1.67	2.04
Milk, cream and dairy products, except butter and cheese	4.5	3.6	2.3	1.22	1.56	1.91
Inorganic chemicals	4.4	0.7	1.3	6.74	0.51	3.45
Cast-iron and steel	3.9	1.2	0.3	3.24	3.49	11.32
Various base metals used in metallurgy, and cermets	3.3	3.3	2.3	1.00	1.42	1.43
Incandescent lamps	3.2	2.9	2.8	1.14	1.03	1.17
Knitted or crocheted garments for women and girls	3.1	2.4	1.6	1.29	1.49	1.92
Vehicles for cargo transportations and vehicles of special assignment	2.9	0.5	0.1	5.66	5.67	32.05
Dresses	2.2	2.1	1.8	1.01	1.17	1.18
Ores and concentrates of precious metals; waste, scrap and trimmings of precious metals	2.1	210.8	0.1	0.01	1,476.96	14.99
Overcoats, carcoats, capes, cloaks and similar articles	1.5	1.7	1.1	0.93	1.54	1.42
Blouses, jackets and jacket-blouses	1.5	1.6	2.6	0.91	0.62	0.57
Live animals	1.5	1.2	1.2	1.22	1.02	1.25
Trousers, coveralls, breeches and shorts	1.5	1.5	1.7	0.95	0.90	0.86
Hosiery, knitted or crocheted	1.4	1.7	1.3	0.85	1.32	1.12
Paper, cardboard and products made of paper stock, paper and cardboard	1.4	1.2	1.2	1.17	0.99	1.16
Imperfect metal products not included into other categories	1.2	0.2	0.3	6.16	0.68	4.20
Skins of bovine or equine hides and rawhide	1.2	0.7	0.6	1.56	1.17	1.83
Metal scrap and waste of precious non-ferrous metals not included into other categories	1.1	1.0	1.2	1.16	0.83	0.96
Portlandcement, cement	1.0	1.1	0.0	0.96	27.03	25.82
Products from grain and products from flour or starch	0.9	0.8	0.4	1.12	1.86	2.08
Trousers, coveralls, breeches and shorts	0.9	0.8	0.9	1.09	0.88	0.96
Food products and preparations not included into other categories	0.9	1.0	0.4	0.85	2.30	1.95
Metal waste and scrap of ferrous metallurgy	0.9	0.7	2.0	1.16	0.37	0.43
T-shirts, combinations, petticoats, bikinis, briefs, nightshirts	0.7	0.1	0.2	8.02	0.42	3.38
Hand and machine tools	0.7	0.2	0.2	2.75	1.58	4.36
Meat and meat products	0.6	1.2	0.4	0.56	3.05	1.70
Sugar, sugar products and honey	0.6	0.6	0.4	0.94	1.61	1.52
Sugar-sweetened mineral water and soft drinks	0.6	0.4	0.7	1.54	0.52	0.81
Products from nonmetallic minerals, not included into other categories	0.6	0.6	0.2	0.97	3.64	3.54
Coffee, tea, cocoa, spices and their products	0.6	0.5	0.6	1.06	0.87	0.93
Skirts and divided skirts	0.6	0.6	0.8	0.98	0.76	0.75
Raw tobacco; tobacco waste	0.6	0.4	1.0	1.49	0.38	0.57
Cheese and curd	0.5	0.7	0.1	0.77	11.73	9.04
Plants and plant parts used in perfume and pharmaceutical industry	0.5	0.9	0.1	0.58	6.08	3.49
Fittings and fastenings for railway and tram lines, traffic signaling equipment	0.5	0.0	0.0	35.07	1.03	36.24
Butter and other fats and oils derived from milk	0.5	0.4	0.1	1.16	3.56	4.12
Motors and engines not included into other categories, and their spare parts	0.5	0.8	0.0	0.57	24.65	14.13
Other minerals	0.5	0.8	0.5	0.58	1.62	0.93
Cars and vehicles for transportation of people	0.4	0.3	0.1	1.35	3.14	4.25
Electric transformers	0.4	0.2	0.2	2.51	0.96	2.41
Woven fabrics made of artificial textile materials	0.4	0.5	0.5	0.85	1.06	0.90
Silver	0.4	0.4	1.6	1.05	0.24	0.26
<b>Nomenclature Total (mln, USD)</b>	<b>198.6</b>	<b>370.9</b>	<b>334.0</b>	<b>0.54</b>	<b>1.11</b>	<b>0.59</b>
<b>Nomenclature Total (% of total exports)</b>	<b>88%</b>		<b>94%</b>			
<b>Total export</b>	<b>226.8</b>		<b>354.2</b>			

According to the NSC at FOB prices; the Table demonstrates the first 47 export large items

n - physical volume of goods imports

p - estimated import price of the goods

## Glossary

**Core inflation** is inflation which excludes short-term, structural and seasonal changes of prices. That is, the growth in prices of goods due to seasonal and external factors (such as poor harvest, the price shock in the market of oil products, the administrative changes in tariffs for gas and electricity, etc.) is excluded from the calculation of the inflation rate.

NBKR calculates the core inflation dynamics by the method of simple exclusions. The given method means the exclusion from the CPI of specific categories or an entire group of goods and services whose prices are highly sensitive to shocks. Traditionally, such goods include some food products, energy resources and tariffs established by the Government.

From April 2010 the National Statistics Committee of KR started the calculation of core inflation using the method of simple exclusions (according to the approved method No. 9 dated April 29, 2010). Such goods as milk, sugar, certain types of fruits and vegetables, alcoholic and tobacco products, petroleum products, product group "electricity, gas and other fuels", passenger transport and communication services, and others are excluded in calculation. In general, the proportion of excluded goods is 25 percent of the total consumer goods basket.

**Discount rate** – is the tool used as the basic reference point when determining the value of monetary resources in the economy. The size of the discount rate is equal to the average value of the yield of 28-day NBKR Notes for the recent 4 auctions on allocation of the NBKR Notes.

**Inflation** represents the increase in the general level of consumer prices in the economy. The consumer price index is used to quantitatively estimate the rate of inflation. The CPI shows the change in the price level for the goods and services purchased by the population for non-productive consumption. The prices of buyers of 342 selected goods and services are used when calculating the index, the sample size is up to 45 thousand prices per month for 1496 enterprises of trade and services in seven urban and two regional centers.

**GDP deflator** is a composite index of the economy branches prices characterizing the GDP with regard to growth of prices in the economy. GDP deflator is calculated as the proportion between nominal GDP in prices of the current year against GDP rate of the previous year.

**GSCI-ag** (Goldman Sachs Commodity Index-agricultural) – index of prices for actively traded future contracts for food (agricultural) products – developed by the investment bank “Goldman Sachs” in order to present these exchange goods as a single group.

**Monetary aggregate** is the money supply classified according to degrees of liquidity: M0; M1; M2; M2X.

**M0** – currency in hands.

**M1** – M0 + demand deposits in national currency.

**M2** – M1 + time deposits in national currency.

**M2X** – M2 + deposits in foreign currency.

**Monetary base** – obligations of the National Bank on cash in circulation, and the obligations of the National Bank to other depository corporations in the national currency of the Kyrgyz Republic.

**Money in circulation** – the cash money in circulation, issued by the National Bank of the Kyrgyz Republic, except for the cash in the NBKR cash desks.

**NBKR Repo Operations** – operations on purchase (direct repo)/sale (reverse repo) of government securities with the obligation to sell them back/purchase on the specified date in future at the predetermined price.

**Non-financial assets** include the following categories of economic assets: fixed assets, stocks of tangible current assets, valuables and non-produced assets (natural and intangible assets).

**Notes** – are the government short-term securities issued by the NBKR for 7, 14, 28, 91 and 182 days through the weekly auctions. The profitability rate is determined depending on the supply and the demand on the part of commercial banks. The goal of conducting the auctions of notes is the withdrawal of liquidity in national currency from the banking system.

**Other depository corporations** – all resident financial corporations, except for the central bank, which activities are aimed at financial intermediation and which issue obligations included into the national definition of the broad money stock (M2X).

**Output gap (or GDP gap)** – is the difference between potential and actual GDP volume. The output gap may serve as an indicator of activation or stagnation of the economy. If actual GDP is less potential ( $Y < Y^*$ ), then it is assumed that there is so-called "recessionary gap" in the economy, which indicates the possible existence of deflationary processes. And vice-versa, if actual GDP is greater than the potential one ( $Y > Y^*$ ), then it is assumed that the growth of aggregate demand exceeds aggregate supply growth, which contributes to increased inflationary pressure.

**“Overnight” credit** is given in national currency for one day, upon the collateral, to support short-term liquidity of the bank. Government securities of the Kyrgyz Republic placed through the NBKR, with maturity up to 12 months from the date of “overnight” credit are accepted as collateral. The interest rate is set at the rate of 1.2 of the NBKR discount rate. The credit is used on the initiative of the commercial bank.

**Producer price index** measures the average changes in selling prices received by domestic producers for their products. Information used in the calculation of the PPI is collected from 148 enterprises that represent almost every branch in the industrial sector of the economy. The list of enterprises includes those most typical for the given industry, characteristic for the given region, and irrespective of patterns of ownership.

**Renewable State Treasury Bills for settlement** are the coupon securities with maturities of 3, 6- and 12-months issued by the Ministry of Finance as a result of restructuring the debt of the Government of the Kyrgyz Republic to the NBKR. The renewable nature of these securities means the following: on the day of redemption of ST-Bill(s) in the

NBKR portfolio, the Ministry of Finance simultaneously with the redemption issues new series of ST-Bill(s) in favor of the NBKR in number equal to the number of redeemable securities.

**State budget operating expenditures** – all the operations that lead to a decrease in the net value of assets of the government sector, except for operations on purchase of non-financial assets.

**State Treasury Bills** are the short-term (3-, 6-, 12-month) discount government securities of the Government of the Kyrgyz Republic. The Ministry of Finance is the emitter of ST-Bills. Placing issues of ST-Bills is made through weekly auctions conducted by the NBKR. Direct participants (primary dealers, finance and credit institutions that have entered into an agreement with the NBKR) enjoy the right to participate in the auctions. The owners of ST-Bills of the Kyrgyz Republic can be both legal entities and individuals. The admission of foreign investors to the market of ST-Bills is not limited. The transactions in the secondary market of ST-Bills are conducted through the electronic trading system of the NBKR, which allows the primary dealers and their clients to conduct transactions on purchase/sale of ST-Bills from their workplaces.

**State Treasury Bonds** are the long-term government securities of the Government of the Kyrgyz Republic with the interest income (coupon) and maturity over 1 year. The emitter of ST-Bonds is the Ministry of Finance. The NBKR is the general agent servicing issues of ST-Bonds.

**Structure of money income of the population by quintile groups** reflects the differentiation of the population by size of income into five (quintile) groups, each of which consists of 20 percent of the population. This approach of determination of the population income involves assumes division of the ranged total population into five equal groups, thus determining the proportion of the total income of society attributable to the population group with the highest income or the group with the lowest income.

**Swap operations** – operations for the exchange of cash in national currency for an equivalent amount in foreign currency or vice versa, with the obligation of the reverse exchange of principal amounts and accrued interest on pre-specified conditions.

## **Abbreviations**

CIF	Cost on the importer's border (Cost, Insurance, Freight)
CIS	Commonwealth of Independent States
CPI	Consumer Price Index
FOB	Cost on exporter's border (Free on Board)
GDP	Gross Domestic Product
GSCI-ag	Goldman Sachs Commodity Index-agricultural
KR	Kyrgyz Republic
LLC	Limited Liability Company
MoA	Ministry of Agriculture
MPC	Monetary Policy Committee
NBFI	Non-banking financial institution
NBKR	National Bank of the Kyrgyz Republic
NCOSH	Non-commercial organizations servicing households
NSC	National Statistics Committee
POL	Petroleum, oil, lubricants
PPI	Producer Price Index
SCS	State Customs Service under the KR Government
SE	State Enterprise
SFBR	Specialized Fund for Banks Refinancing
ST-Bills	State Treasury Bills
ST-Bills(s)	State Treasury Bills for settlement
ST-Bonds	State Treasury Bonds
USA	United States of America