

National Bank of the Kyrgyz Republic

Inflation Report

II quarter 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.....	9
1.2. Monetary trends	11
1.3. External Economic Conditions	15
1.4. Exchange rate.....	18
CHAPTER 2. INFLATION AND ITS COMPONENTS	19
2.1. Consumer Price Index Development	19
2.1.1. Dynamics of Prices for Food Products.....	19
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.....	22
2.2. Core inflation	23
CHAPTER 3. MONETARY POLICY DECISIONS OF THE NATIONAL BANK OF THE KYRGYZ REPUBLIC.....	25
3.1. Major Decisions of the NBKR Board	25
3.2. Major Decisions of the Monetary Regulation Committee	25
CHAPTER 4. INFLATION FORECAST	26
4.1. Forecast of Key Inflation Factor Dynamics	26
4.2. Inflation Forecast for 2012 and II quarter of 2012	27
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-June 2012, the volume of GDP at current prices constituted 114.9 billion KGS, having decreased by 5.6 percent against the corresponding index for the comparable period of 2011; in January-June 2011, GDP increased by 4.9 percent. Excluding enterprises on exploration of gold-mining deposit “Kumtor”, the GDP volume in the first half of 2012 increased by 3.9 percent (in January-June 2011, an increase in the same index was 3.7 percent). GDP deflator according to the preliminary data for the first half of 2012 constituted 13.7 percent against 16.7 percent in January-June 2011.

As per results of the first quarter of 2012¹, GDP calculated by the method of income, decreased by 6.8 percent compared to the same period in 2011 (in January-March 2011 the increase was 0.6 percent). The increase in the share of final consumption and gross capital formation is observed in the structure of GDP by expenditure.

Table 1.1.1. Real GDP Growth Rates by Expenditure (unless otherwise stated)
(period from the beginning of the year to the corresponding period of the previous year, percent)

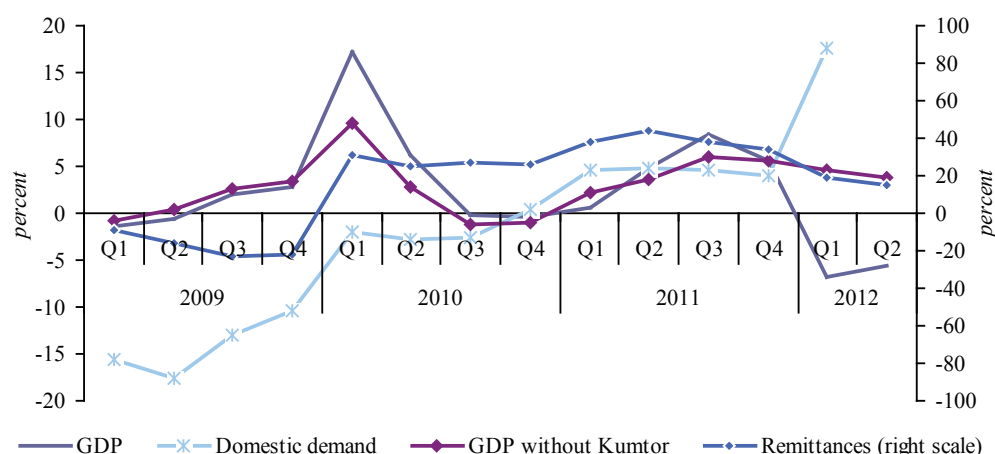
	2011				2012	
	I	II	III	IV	I	I
						share, percent
Used GDP	0.6	4.9	8.3	5.7	-6.8	100.0
Final consumption	6.7	8.5	6.4	5.2	11.3	127.1
Individual consumption	7.1	9.2	6.9	5.5	12.1	117.1
Households	7.5	10.0	7.2	5.6	13.0	104.1
NCOSH	11.2	10.7	7.3	4.7	-12.1	1.2
Governmental Institutions	2.7	3.1	4.2	4.5	4.3	11.8
Collective consumption	3.1	3.1	2.3	2.3	2.3	10.0
Gross savings	7.9	10.2	-2.3	0.3	59.9	28.5
Export	-13.8	6.6	19.5	16.5	-6.4	62.7
Import	-0.8	11.6	13.8	13.7	29.4	-123.0

Source: NSC KR

In January-March 2012 the growth in domestic demand (the sum of final consumption expenditure and gross capital formation) was 117.7 percent compared to 104.6 percent in the first quarter of 2011. In January-March 2012 there was an increase in imports by 29.4 percent, whereas in the first quarter of 2011 - its decline by 0.8 percent.

¹ Hereinafter the reference to the earlier periods of time is due to lack of data for the first half of 2012.

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 preliminary data the growth of cash flows of individuals in systems of money transfer is kept in the first half of 2012, but the growth rate decreased. In January-June 2012 the net inflow of remittances increased by 15.0 percent and amounted to 748.0 million USD, while by the results of the first half of 2011 the growth was 43.6 percent. The main bulk of remittances continue to come from the CIS countries (Russia - 95.9 percent, Kazakhstan - 1.9 percent). 2.2 percent of total remittances of individuals came from foreign countries.

Table 1.1.2. Remittances of Individuals by Money Transfer Systems*
(million USD)

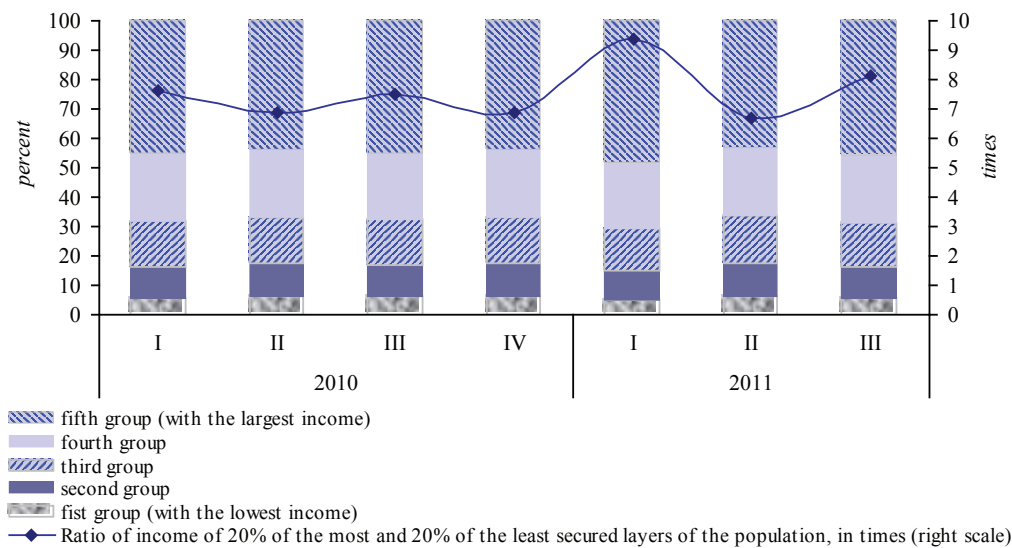
	2009	2010	Jan- June 2011	Jan- June 2012**
Balance	893.2	1,124.9	650.6	748.0
Inflow	966.7	1,252.6	732.4	860.0
CIS countries	894.4	1,199.3	701.3	841.2
Kazakhstan	31.4	35.0	16.8	16.6
Russia	862.9	1,164.3	684.0	824.5
Others	0.0	0.0	0.6	0.1
Far-abroad countries	72.3	53.3	31.0	18.8
Belgium	0.5	0.2	1.3	0.0
Great Britain	1.4	1.4	0.8	0.7
Germany	0.7	9.9	10.9	3.5
USA	69.5	41.7	17.3	14.2
Others	0.3	0.1	0.7	0.4
Outflow	73.6	127.6	81.8	112.0
CIS countries	71.8	125.8	80.1	109.2
Kazakhstan	0.7	0.4	0.4	0.4
Russia	71.1	125.4	79.5	108.7
Others	0.0	0.0	0.3	0.1
Far-abroad countries	1.8	1.8	1.7	2.8
Belgium	0.2	0.5	0.2	0.1
Germany	0.4	0.3	0.8	0.7
USA	1.1	0.9	0.5	1.6
Others	0.1	0.2	0.2	0.4

* 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".

** preliminary data.

According to the results of a sample survey of households by NSC KR in January-September 2011 in the structure of money income of the population by quintile groups, the concentration of total revenue is still in favor of the most wealthy group. Thus, the share of income of the most wealthy group in January-September 2011 amounted to 45.9 per cent of total population income, having increased by 0.9 percentage points compared to the same period in 2010. The share of income of 20 percent of the least wealthy population declined by 0.3 percentage points and amounted to 5.7 percent.

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



According to the preliminary data from the Central Treasury of the Ministry of Finance, the state budget deficit for January-June 2012 amounted to 3.9 billion KGS, or 3.4 percent to GDP (in January-June 2011 the budget was executed with a deficit of 0.2 percent to GDP).

State budget revenues from operating activities, including received official transfers amounted to 40.6 billion KGS (35.3 percent to GDP), having increased by 12.3 percent or 4.5 billion KGS compared to the same period of January-June in 2011. The largest contribution to growth in income made tax revenues (16.7 percentage points), the contribution of non-tax revenues amounted to 0.8 percentage points. Received official transfers declined by 49.0 percent as compared to the same period of previous year and, accordingly, made a negative contribution to the growth of state budget revenues (-5.2 percentage points).

Total expenditures of the state budget for operating activities in January-June 2012 amounted to 42.7 billion KGS or 37.2 percent to GDP, having increased by 24.7 percent or 8.5 billion KGS against the same period of January-June 2011. The increase in expenses is due primarily to increased costs for salaries, the purchase of goods and services as well as subsidies and grants.

By functional classification, the increase in the state budget expenditures has a social orientation. For example, expenditure on education relative to GDP in

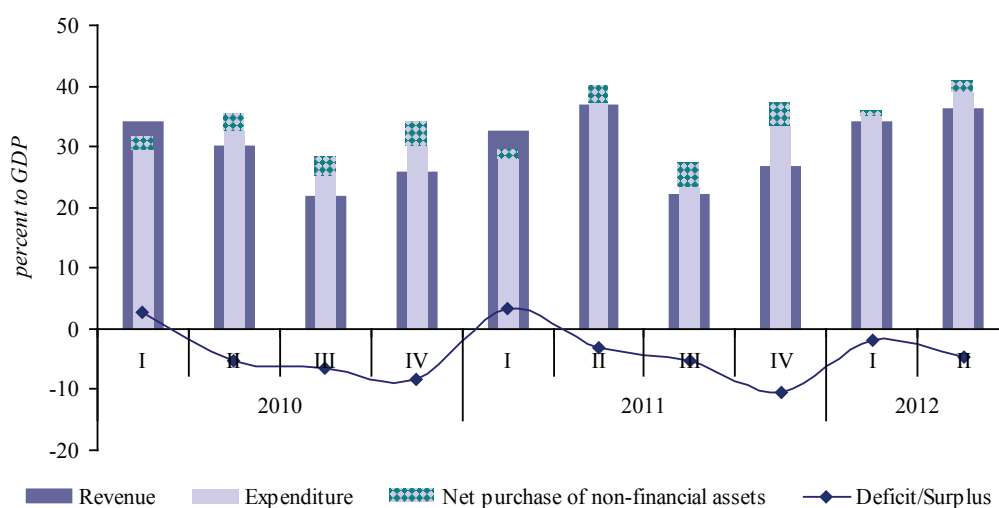
the first half of 2012 increased by 2.5 percentage points compared to the same period of January-June 2011, on health care - by 1.5 percentage points, on social protection – by 1.0 percentage points.

Net cash outflow for operations on acquisition of nonfinancial assets amounted to 1.8 billion KGS which is 333.3 million KGS or 15.5 percent less than the similar index in January-June 2011.

According to the preliminary data of the Social Fund of the Kyrgyz Republic, deficit of the Social Fund budget amounted to 0.1 billion KGS or 0.1 percent to GDP, revenues - 14.5 billion KGS or 12.6 percent to GDP, expenditures - 14.6 billion KGS or 12.7 percent to GDP.

Consolidated budget deficit (state budget + the budget of the Social Fund) for the reporting period amounted to 4.0 billion KGS or 3.4 percent to GDP. Revenues amounted to 48.1 billion KGS or 41.8 percent to GDP and expenditure - 52.0 billion KGS or 45.3 percent to GDP.

Chart 1.1.3. State Budget Implementation
(for the period)



According to the preliminary data, the volume of investments in fixed capital in January-June 2012 increased by 10.2 percent compared to the corresponding index in 2011 and amounted to 18.3 billion KGS against the decline in the first half of 2011 by 24.9 percent. In the sectoral structure of investments the bulk of investment is accounted for the mining industry (31.8 percent), transport and communication (an increase in investment in the project for reconstruction of roads “Talas-Taraz-Suusamyр”, “Osh-Irkeshtam”, “Osh-Isfana”, “Bishkek-Naryn-Torugart”, “Southern Transport Corridor”, the rehabilitation of roads under the project “Improvement of Regional Road Corridor”) - 10.5 percent, manufacturing industry - 8.3 percent, trade - 7.7 percent.

Table 1.1.3. Investments in the Fixed Capital by Sources of Finances

	Jan-June 2011	Jan-June 2012	Jan-June 2012	
	total, million KGS		share, percent	growth rate, percent
Total	15,816.5	18,301.0	100.0	110.2
Internal investmets	13,205.0	14,520.4	79.3	104.7
Republican budget (including funds intended for emergencies)	1,064.8	567.0	3.1	50.5
Local budget	107.7	144.4	0.8	127.3
Funds of enterprises and organizations	6,656.2	8,093.9	44.2	116.4
Bank credit	214.3	171.5	0.9	76.7
Population assets	5,162.0	5,543.6	30.3	101.7
External investment	2,611.5	3,780.6	20.7	137.6
Foreign credit	1,265.5	1,383.6	7.6	104.5
Foreign direct investment	957.3	1,605.4	8.8	160.0
Foreign grants and humanitarian aid	388.7	791.6	4.3	190.0

Source: NSC KR

In January-June 2012, in the structure of financing sources of investments into the fixed capital, the internal investments which occupy the largest share in total investment increased by 4.7 percent, while investments from external sources increased by 37.6 percent as compared to the corresponding index of the previous year. The increase in foreign investment is due to the allocation of foreign grants and humanitarian aid (1.9 times) as well as an increase in the share of foreign direct investment (1.6 times).

The volume of credit portfolio of commercial banks in the first half of 2012 amounted to 34.9 billion KGS, having increased in comparison with that of 2011 by 22.0 percent (in the first half of 2011 the credit portfolio of commercial banks increased by 11.0 percent). The increase in crediting by commercial banks of the country is found in all sectors of the economy. The largest share of loans accounted for the industries "trade and commercial transactions" and "agriculture".

Table 1.1.4. Sectoral Structure of Commercial Banks' Credit Portfolio

	January-June 2011		January-June 2012	
	total, million KGS	growth rate, percents	total, million KGS	growth rate, percents
Credit portfolio	28,599.6	111.0	34,904.4	122.0
Trade and commercial operations	12,781.9	115.2	14,578.6	114.1
Agriculture	3,997.9	119.8	4,683.6	117.1
Industry	1,618.9	117.6	1,759.1	108.7
Mortgage	2,759.6	94.0	3,271.7	118.6
Construction	1,736.7	90.0	1,837.0	105.8
Consumer credits	2,216.3	117.9	3,191.7	144.0
Other	2,909.7	103.1	4,542.2	156.1

1.1.2. Supply

The main contribution to the GDP decline in January-June 2012 was made by industry enterprises (-8.1 percentage points), mainly due to decrease in production volumes at enterprises on exploration of gold-mining deposit "Kumtor". The

positive impact was made by services whose contribution during the reporting period amounted to 2.3 percentage points.

The volume of the aggregate supply of goods and services in the first half of 2012 was provided by trade sector by 16.4 percent, agricultural products - by 12.9 percent, processing industry - by 11.8 percent, transport and communication - by 9.8 percent of total GDP.

Table 1.1.5. Contribution of Individual Activities to GDP Increase/Decrease

	Jan-June 2011		Jan-June 2012	
	growth rate, percent	contribut. to growth, p.p.	growth rate, percent	contribut. to growth, p.p.
Gross domestic product	4.9	4.9	-5.6	-5.6
Gross added value	4.9	4.3	-5.6	-5.0
Agriculture, hunting & forestry	1.3	0.1	1.2	0.1
Mining industry	11.3	0.1	6.6	0.1
Processing industry	12.9	2.5	-42.6	-8.7
Electricity, gas, and water generation and distribution	26.8	1.1	13.0	0.5
Construction	-28.4	-1.4	20.0	0.7
Trade, repair	3.1	0.5	8.1	1.3
Hotels and restaurants	7.5	0.1	8.8	0.1
Transport and communication	12.9	1.2	6.9	0.7
Financial activity	8.1	0.0	-1.4	0.0
Real estate transactions, rent	-1.6	-0.1	-4.5	-0.2
State management	4.6	0.2	2.6	0.2
Education	-1.2	-0.1	5.6	0.3
Health and provision of social services	1.9	0.1	2.4	0.1
Provision of utility and personal services	0.2	0.0	-5.0	-0.1
Net tax on products	4.9	0.5	-5.6	-0.7

Source: NSC KR

According to the preliminary data, for the first half of 2012 the physical volume index (PVI) of industrial production decreased by 31.6 percent as compared to the corresponding index of 2011 (January-June 2011 the volume of industrial production grew by 14.9 percent). Decrease in PVI of industrial production was mainly due to the reduction in processing industry by 42.6 percent, the decline in textile and clothing industry (21.0 percent). Excluding enterprises on exploration of gold-mining deposit "Kumtor" there was an increase in industrial production PVI at 8.2 percent, at this the similar index increased by 16.9 percent in 2011.

In agriculture, according to the preliminary data, during the first half of 2012 there was a growth in PVI at 1.2 percent (in January-June 2011 the volume of agricultural production rose by 1.3 percent).

According to the provisional data, in January-June 2012, there was an increase in trade turnover by 8.9 percent (for the same period in 2011, there was an increase by 3.5 percent). Also there was observed an increase in wholesale trade by 8.6 percent and retail trade (except trade in cars and motor fuel) - by 6.1 percent.

Table 1.1.6. Dynamics and Structure of Gross Turnover of Trade Operations

	Jan-June 2011		Jan-June 2012	
	share, percent	growth rate, percent	share, percent	growth rate, percent
Trade	100.0	103.5	100.0	108.9
Trade in cars and their spare parts	3.0	107.4	2.9	104.6
Car maintenance	0.5	111.5	0.5	104.0
Retail trade in motor oil	32.2	102.9	31.6	108.6
Wholesale trade	9.7	116.2	12.0	127.7
Retail trade	54.4	101.5	52.9	106.1
Repair of household appliances	0.2	89.2	0.2	105.1

Source: NSC KR

1.2. Monetary trends

Monetary base

As of July 1, 2012 the monetary base amounted to 56.7 billion KGS, having increased for the second quarter of 2012 by 5.4 percent (in the similar period of 2012 – by 10.8 percent) or 2.9 billion KGS. The operations of the Government increased the monetary base by 3.9 billion KGS, the National Bank through the instruments of monetary policy reduced the monetary base by 1.0 billion KGS (in the second quarter of 2011 the increase in the monetary base amounted to 4.8 billion KGS, the operations of the Government and the National Bank increased the monetary base by 3.2 billion and 1.6 billion KGS, respectively).

As of July 1, 2012 money in circulation amounted to 51.4 billion KGS, having increased in the reporting period by 6.3 percent (in the similar period of 2011 the increase amounted to 11.5 percent).

The share of cash in circulation in the structure of the monetary base increased from 89.9 percent at the end of the first quarter of 2012 to 90.6 percent at the end of the second quarter of 2012, respectively, the share of funds on correspondent accounts of commercial banks in the National Bank decreased from 10.1 to 9.4 percent.

M2 Aggregate

As of July 1, 2012 the money stock M2 (money outside banks (M0) + deposits in the national currency) amounted to 67.2 billion KGS, having increased for the second quarter of 2012 by 7.5 percent (in the second quarter of 2011, an increase was by 10.1 percent). The components of the monetary aggregate M2 changed as follows: deposits in the national currency increased by 13.2 percent, including term deposits - by 16.1 percent, transferable deposits (demand deposits) - by 11.5 percent; money outside banks (M0) - by 5.5 percent.

M2X Aggregate

The volume of M2X broad money (M2 + deposits in foreign currency) as of July 1, 2012 amounted to 88.4 billion KGS, having increased during the quarter by 9.2 percent (in the second quarter of 2011 the increase in M2X amounted to 9.6 percent). The total amount of deposits included in the definition of broad money

M2X increased by 14.0 percent, including deposits in foreign currency increased by 14.8 percent, deposits in the national currency – by 13.2 percent (in the second quarter of 2011, an increase in money outside banks amounted to 11.4 percent, while total deposits – by 7.1 percent).

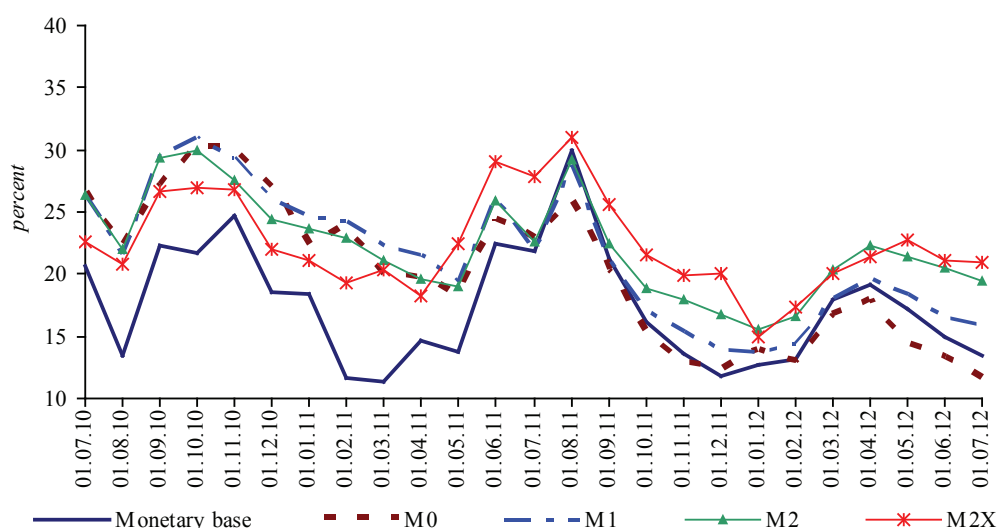
As per results of the second quarter of 2012 the structure of money stock M2X changed as follows:

- the share of money outside banks decreased from 56.9 to 54.9 percent;
- the share of deposits in the national currency increased from 20.4 to 21.2 percent;
- the share of deposits in foreign currency increased from 22.7 to 23.9 percent.

The multiplier of M2X broad money, which is a measure of financial intermediation, increased during the quarter under review from 1.505 at the end of March 2012 to 1.559 at the end of June 2012 (at the end of June 2011 – 1.462).

Coefficient of the economy monetization calculated on the basis of M2X monetary aggregate increased from 27.4 percent at the end of the first quarter of 2012 to 28.3 percent at the end of the second quarter of 2012 (at the end of June 2011 – 27.3 percent). In the reporting period, the velocity of M2X broad money circulation decreased from 3.6 at the end of March 2012 to 3.5 at the end of June 2012 (at the end of June 2011 – 3.7).

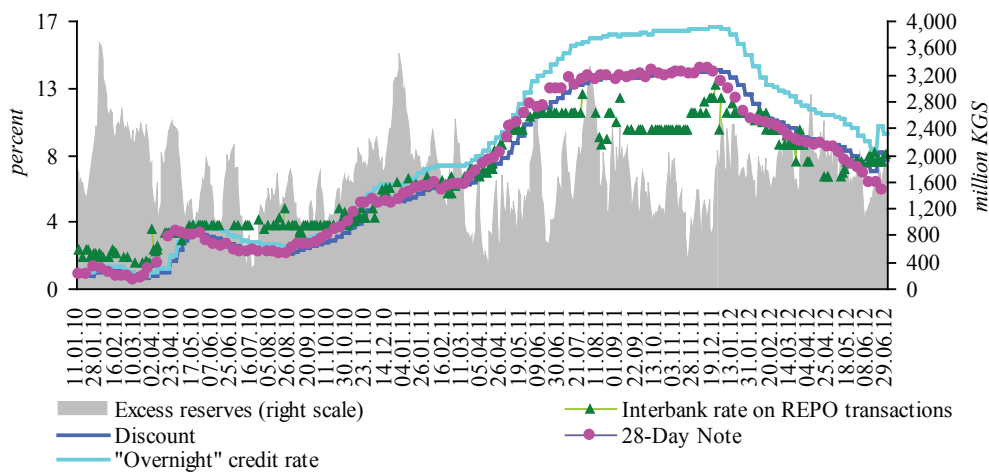
Chart 1.2.1. Annual Nominal Growth Rates of Monetary Aggregates



In April-June 2012 on the financial market there was preservation of the main trends of the first quarter formed under the influence of the absence of significant fluctuations in the excess liquidity in the banking system as a whole. At the same time in the reporting period there was marked an increase in the demand for loans by individual market participants, which, in turn, affected the growth in activity of the internal market of interbank borrowing. With the continuing decline of the dynamics of profitability in all segments of government securities, the most

profitable securities with longer maturities continued to be of high demand among investors.

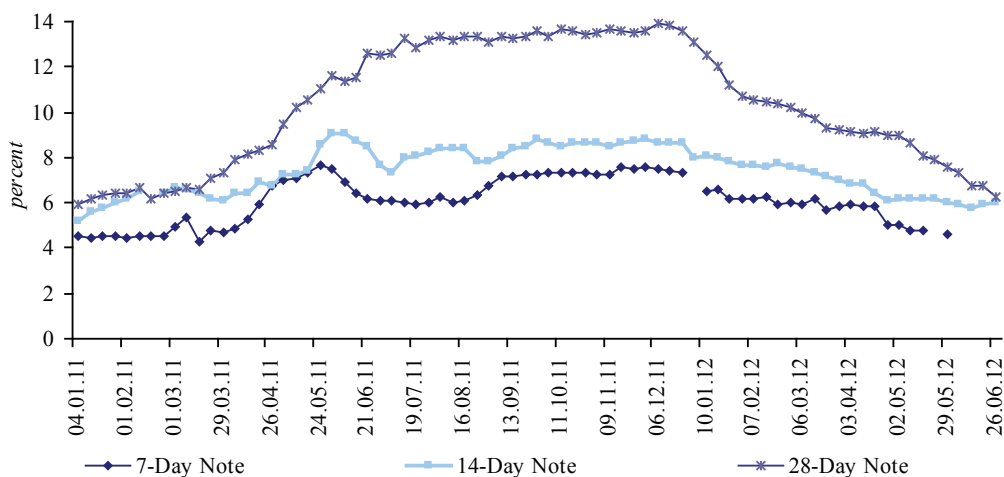
Chart 1.2.2. Dynamics of Money Market Rates



In the second quarter of 2012 the National Bank reduced the volumes of supply of 7- and 14-day notes and increased the volumes of emission of 28-day securities. The total supply of notes decreased by 16.9 percent to 7.4 billion KGS. Sales of 28-day notes supported by a relatively high level of demand in the reporting period reached 6.3 billion KGS or 88.9 percent in share value. Investor demand for shorter notes fell as a result of the total volume of 7- and 14-day securities offered for sale at the rate of 1.1 billion KGS was placed only 788.3 million KGS.

Thus, overall sales in April-June amounted to 7.1 billion KGS, having decreased against the previous quarter by 16.6 percent. In the reporting period continued the decrease in the average weighted yield for all types of notes: the yield of 7-day notes decreased by 1.0 percentage points, down to 5.2 percent, 14-day notes – by 1.4 percentage points to 6.2 percent, 28-day notes – by 2.5 percentage points to 8.0 percent (compared with the similar indexes of 2011 the yield of 7-day notes decreased by 1.3 percentage points, 14-day notes – by 1.5 percentage points, 28-day notes – by 2.3 percentage points).

Chart 1.2.3. Dynamics of the NBKR Notes Yield

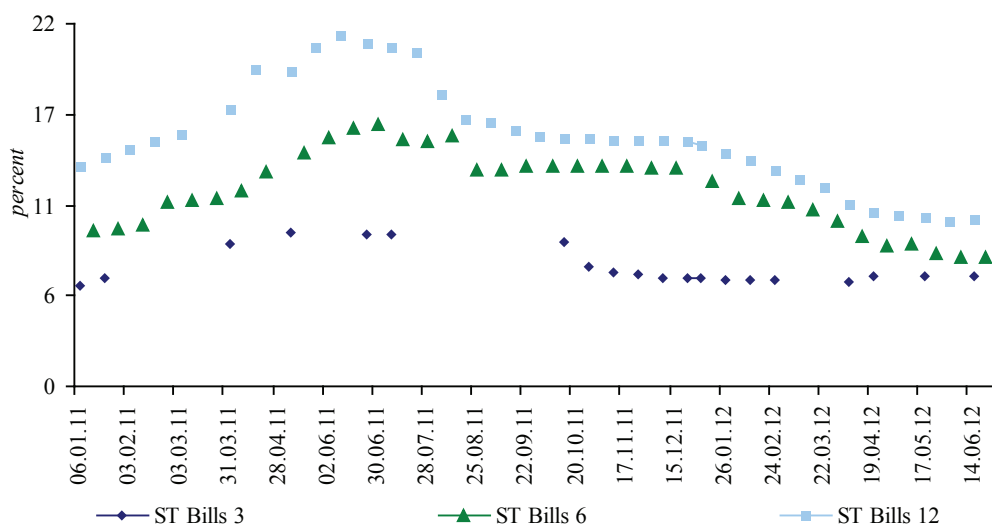


As of the end of June, the discount rate was 8.1 percent, having decreased from the beginning of the year by 5.5 percentage points. As a result, the rate on “overnight” credits also declined and was in average during the quarter at a rate of 10.2 percent, while the volume of disbursed “overnight” credits for the period amounted to 719.0 million KGS.

The total sales volume of ST-Bills in the second quarter increased compared with the previous period by 30.2 percent to 1.3 billion KGS. The increase in sales was contributed by the growth of the announced emissions generated mainly due to increase by a third of the supply of 12-month securities, the most attractive from an investment point of view. In turn, this upward trend of placing the 12-month ST-Bills which took the share of 81.8 percent in total sales, had a decisive effect in achieving the established rate of sales amid falling volumes of placing 3- and 6-month bills. The average monthly rate of yield on securities decreased to 9.9 percent (-2.3 percentage points) due to lower yield in the segment of 6- and 12-month ST-Bills by 3.2 percentage points to 8.3 percent, and 3.0 percentage points to 10.3 percent, respectively, while the yield on 3-month ST-Bills increased slightly to 6.6 percent (+0.1 percentage points). Compared to the same quarter of 2011 the rate of total rate of yield of ST-Bills decreased by 8.4 percentage points. At this the yield of 3-month ST-Bills decreased by 2.7 percentage points, 6-month ST-Bills – by 5.8 percentage points, 12-month ST-Bills – by 9.9 percentage points.

In April-June 2012, as in the first three months of the year, there were held three auctions of ST-bonds, in which there were allocated securities amounting in total to 461.9 million KGS, which is 51.3 percent higher than the previous quarter index. Demand for two-year treasury bonds was still supported mainly by the activity of the dominant investor represented by one of the major commercial banks that somewhat increased the quantitative indicators of the presence in the market compared to the previous quarter. In addition, a significant contribution to the achievement of the sales index established on the basis of the second quarter was made by one of the institutional investors which showed up previously high activity in the market of ST-bonds in the last months of 2011. The increased activity of the market against the increased volume of securities emission was followed by a decrease in the average monthly interest rate established by the results of the quarter at a rate of 14.5 percent, 1.5 percentage points lower than the rate of the previous month (in relation to the comparable period in 2011 the yield of ST-bonds decreased by 5.0 percentage points).

Chart 1.2.4. Dynamics of ST-Bills Yield



Despite the relatively stable level of liquidity in the banking system in the second quarter, there was an increase in business activity in the domestic interbank market of borrowing. A key reason was the uneven distribution of excess reserves in the banking system of the country - so, in April-June, the overall liquidity position was influenced by the presence of excess money supply in several major financial and credit institutions of the country, while in most of the remaining banks there was observed multidirectional dynamics of this indicator in much smaller in magnitude scales.

Compared with the results of the first three months of the year the total amount of borrowings increased by 86.2 percent to 2.6 billion KGS due to growth in volumes of transactions in all market segments. Despite the significant increase in the share of ordinary credit transactions in national and foreign currencies, repo operations continued to maintain a dominant position in the domestic interbank market, reaching 1.9 billion KGS in quantitative terms (42.3 percent). At the same time the size of ordinary credit transactions in the national currency increased 14.7 times amounting to 587.0 million KGS. In this period, the average weighted interest rate on repo transactions decreased by 2.6 percentage points to 7.7 percent, on credit transactions in KGS - by 3.1 percentage points to 6.9 percent. Compared to the weighted average interest rate in the same quarter in 2011, rates on repo and ordinary credit transactions in national currency decreased by 2.0 and 3.1 percentage points respectively.

In period under review, the aggregate volume of transactions in foreign currency on the domestic interbank market of credit resources totaled 206.8 million in KGS equivalent with an average interest rate of 0.2 percent per annum.

1.3. External Economic Conditions

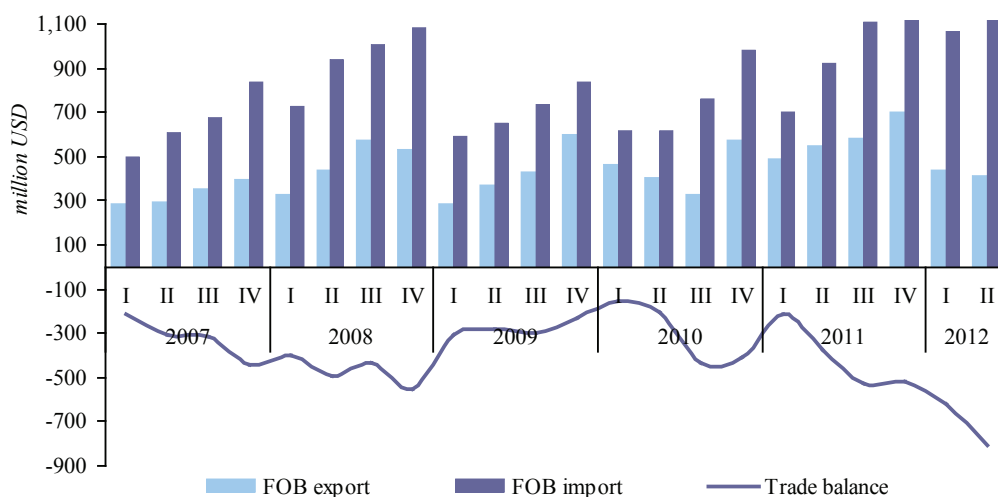
Pursuant to preliminary data, the deficit of trade balance¹ of the Kyrgyz Republic

¹ According to data of the NSC KR and SCS KR taking into account NBKR adjustments, unless otherwise stated.

in the second quarter of 2012 compared to the comparable period in 2011 increased by 2.1 times and constituted 806.1 million USD.

The external turnover in the reporting period amounted to 1 636.4 million USD, which exceeded the rate of the last year by 12.7 percent.

Chart 1.3.1. Foreign Trade



Exports of goods (in FOB prices) in the second quarter of 2012 amounted to 415.2 million USD, having decreased by 22.6 percent over the same period in 2011. During the reporting period the volume of exports of gold continued to fall, this resulted in reducing the proportion of this item in total exports from 41.5 to 21.2 percent (88.1 million USD in absolute terms). In addition, there was a decrease in the supply of electricity, used cars, diesel fuel, as well as car parts and accessories. Along with this, there was an increase in the supply of cars to transport goods and special purpose vehicles, ores and concentrates of precious metals, fruits and nuts.

During the reporting period the shares of the main groups of exported goods¹ were as follows: intermediate goods accounted for 37.1 percent of total exports, consumer goods - 35.6 percent, investment goods - 9.8 percent, raw materials and energy products – 9.7 and 7.8 percent respectively.

Exports of consumer goods increased by 0.9 percent and constituted 126.4 million USD. This trend was provided by increasing the supply of food products by 9.9 percent, while the supply of non-food products decreased by 5.3 percent.

Increase in the supply of food products was mainly due to the growth of the value of exports of fruits and nuts (60.8 percent or 5.2 million USD) due to increased physical volume of deliveries. Also during the reporting quarter as a result of growth of export prices, the volume of supplies of vegetables increased by 8.9 percent or 2.0 million USD. At this due to a decrease in export prices for dairy products, there was a reduction in the value of exports of dairy products (by 14.7 percent or 1.4 million USD).

¹ Hereinafter according to data of the NSC KR and SCS KR excluding NBKR adjustments.

In the structure of non-food products, the decline in exports was due to such commodity items as used cars (by 86.5 percent or 5.6 million USD) and incandescent lamps (by 25.8 percent or 1.3 million USD), mainly due to reduced physical volumes of deliveries. Along with this, there was an increase in the supply of clothing and clothing accessories (7.1 percent or 3.5 million USD) and footwear (17.5 percent or 0.1 million USD).

Imports of goods¹ in FOB prices in the reporting quarter of 2012 increased by 33.4 percent and amounted to 1 221.3 million USD. The main items of imports that determined its dynamics were petroleum products (increase by 54.0 percent or by 106.4 million USD), motor vehicles for the transport of goods and special purpose vehicles (increase by 2.3 times or 22.5 million USD), other inorganic chemicals (increase by 4.5 times or 19.2 million USD), used cars (increase by 36.1 percent or 16.8 percent) and unmilled grains and mangcorn (increase by 2.0 times or 10.4 million USD).

In the functional structure of imports² during the reporting period, there was an increase in the share of investment goods (16.4 percent, increase by 3.5 percentage points) and energy products (25.2 percent, increase by 2.0 percentage points). As a consequence, despite the increase in the value, the share of consumer goods declined to 31.1 percent. Intermediate goods took 24.1 percent of imports, raw materials - 3.2 percent. During the reporting quarter, imports of consumer goods reached 411.7 million USD, having increased by 11.2 percent. At this in the import of non-food products there is more dynamic growth trend than in the food products (16.6 and 2.5 percent respectively).

In the structure of food products, as a result of growth of import prices, increased the volumes of imports of other food products³ (by 59.4 percent or by 4.9 million USD) and products from the cereals and flour (by 10.9 percent or by 0.8 million USD). At the same time, reduction in the physical volume of deliveries led to the decrease in the value of imports of flour (by 55.2 percent or 6.5 million USD), beer (by 44.2 percent or 3.0 million USD) and sugar (by 6.0 percent or 1.1 million USD).

As part of non-food items, mainly due to increase in the physical volume, there was an increase of the value of the supply of used cars by 36.1 percent (16.8 million USD) and cigarettes (by 33.2 percent or 3.6 million USD). At the same time reduction in the physical volume of deliveries resulted in reduced income of drugs to the Republic (by 18.8 percent or 5.6 million USD) and essential oils (by 6.4 percent or 1.3 million USD).

¹ CIF imports amounted to 1 323.9 million USD, the trade balance deficit – 908.7 million USD.

² Hereinafter in CIF prices, according to data of the NSC KR and SCS KR excluding NBKR adjustments.

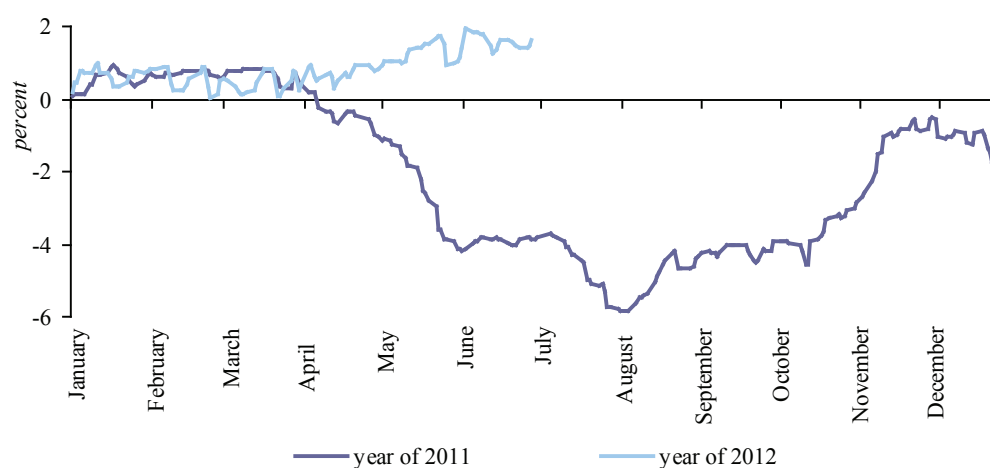
³ Mixtures of vitamins and minerals designed for a balanced supplement to the diet, protein concentrates, baby food, etc.

1.4. Exchange rate

In the second quarter of 2012, it was noted the tendency for sustained growth of the exchange rate of U.S. dollar outlined in February this year. Throughout this period, a stable situation remained in the foreign exchange market of the country – in April and May, in the absence of imbalances in market demand and supply, the positive change of the dollar rate was 0.2 percent. The main contribution to growth in U.S. dollar exchange rate was made in June, during which the value of the U.S. dollar increased by 0.7 percent to 47.2445 KGS per 1 U.S. dollar as of the end of the month (in June 2011 the exchange rate fell by 0.4 percent). The main reasons for maintaining the demand for U.S. dollars in April-June were the preservation of the volume of bank operations to service customers' import contracts to supply fuel and lubricants and consumer goods, as well as the repayment of foreign loans by microcrediting companies.

The continued stability of the currency market in the period under review has allowed the National Bank to minimize its presence in the foreign exchange market. In order to avoid sharp fluctuations in exchange rates, National Bank offset the market demand for currency in the amount of 8 million USD, which arose in the first decade of June. Thus, the volume of transactions carried out by National Bank for the sale of U.S. dollars compared with the previous quarter has decreased by 77.2 percent, while purchases of currency in the second quarter have not been carried out (compared to the same period of 2011 the volume of transactions of National Bank on the sale of currency funds decreased by 72.4 percent). National Bank's intervention currency was the USD, foreign exchange transactions in other currencies were not carried out.

Chart 1.4.1. Dynamics of Change of the USD Rate



Chapter 2. Inflation and its Components

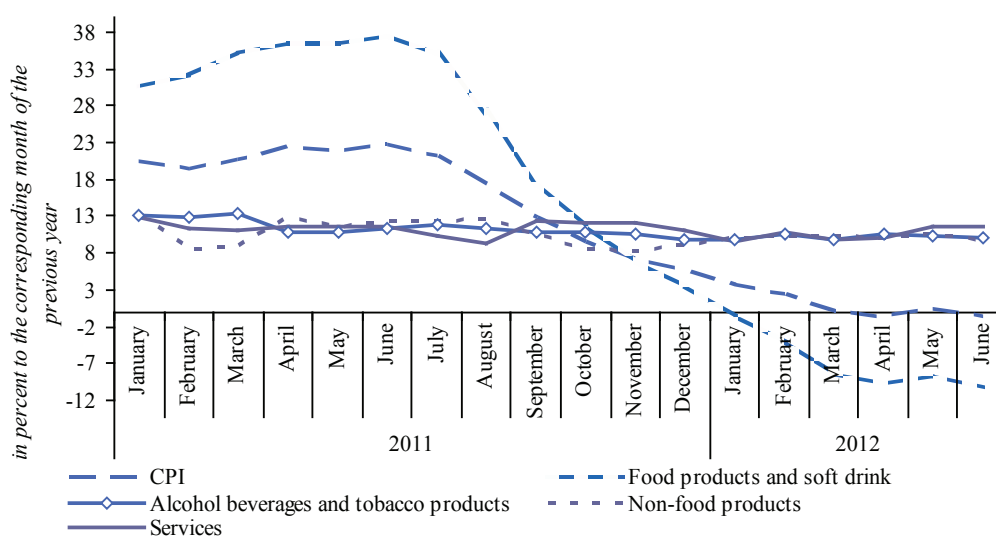
2.1. Consumer Price Index Development

The annual consumer price index in June 2012 (against June 2011) amounted to 99.5 percent, while the corresponding index in 2011 was 122.8 percent. In the structure of the CPI basket the decrease in prices for food products was 10.3 percent, prices for non-food products rose on an annualized basis by 9.8 percent, the prices for alcoholic beverages and tobacco rose by 10.0 percent, for paid services - by 11.7 percent.

In the second quarter of 2012, the decline in prices of basic food products (bread and cereals, fruits and vegetables, meats, dairy products, oils and fats) continued in the country largely on the background of falling prices on world commodity markets and seasonal deflation for fruits and vegetables.

During the last period of the dynamics of prices for non-food goods and paid services, as well as alcohol and tobacco products varies in a fairly narrow range of 8-13 percent.

Chart 2.1.1. Annual Dynamics of CPI and its Components



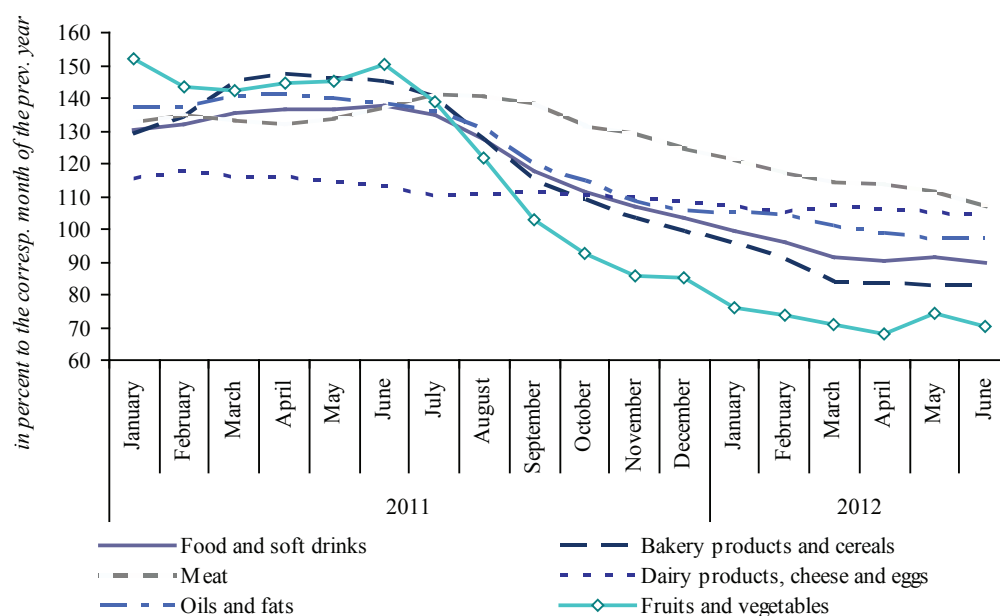
In the second quarter of 2012 the consumer price index was 100.1 percent (in the second quarter of 2011 - 100.8 percent). Index of prices for food was 97.6 percent, for alcoholic drinks and tobacco products - 101.9 percent, for non-food goods - 101.3 percent, for paid services - 103.4 percent.

2.1.1. Dynamics of Prices for Food Products

According to the results of June 2012, the prices for food products on an annualized basis decreased by 10.3 percent (for the corresponding period in 2011 on an annualized basis the prices rose by 37.5 percent), the commodity group "bread and cereals" dropped in price by 17.0 percent, including first-grade wheat flour - by 27.2 percent. At the same time in the second quarter of 2011, bread and

cereals fell by 2.2 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 4.0 percent, and for fruits and vegetables - decreased by 21.1 percent.

Chart 2.1.2. Annual Dynamics of Prices for Food Products



As per results of the second quarter of 2012 the prices for fruits and vegetables declined by 7.1 percent, including the prices for fruit increased by 12.7 percent, for vegetables fell by 15.0 percent. In annual terms, the commodity group "fruits and vegetables" became cheaper by 30.0 percent: prices for fruits decreased by 16.5 percent, for vegetables - by 35.5 percent.

In annual terms, the price for sugar fell by 15.9 percent, while in June 2011 the price for sugar rose by 28.2 percent.

Prices for the commodity group "oils and fats" by the results of June 2012 decreased by 2.8 percent, due to the lagged effect of falling world prices for oil crops (annual increase in prices for oils and fats in June 2011 was 38.4 percent).

In the second quarter of 2012 there was a decrease in consumer prices for dairy products which amounted to 9.8 percent. On an annualized basis the prices for dairy products increased by 3.8 percent.

Prices for meat products by results of June 2012 rose on an annualized basis by 6.9 percent.

The first half of 2012 was characterized by stable dynamics of prices on world commodity markets. However, in June-July 2012 against the backdrop of heightened concerns about the harvest of grains and oilseeds in 2012 there was marked a significant increase in world wheat prices. Thus, for the period from June 15, 2012 to July 20, 2012 the price for wheat on the commodities exchange CBOT¹ rose by 54.8 percent. The cost of wheat imported in Kyrgyzstan (from the station Lugovaya) rose in July 2012 by 10.8 percent (up to 214-226 USD per ton).

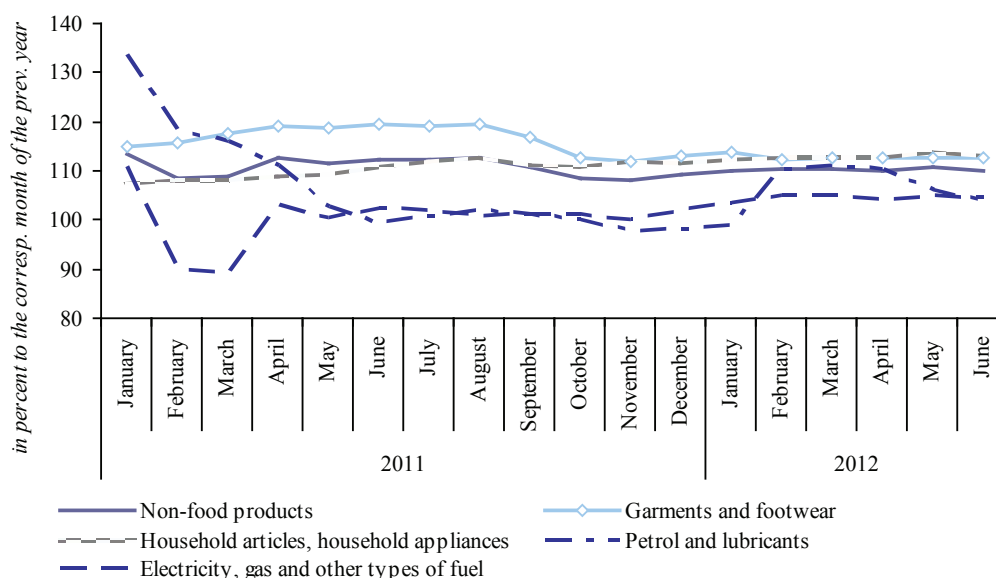
For reference: Annual inflation in the countries-main trading partners:

- Kazakhstan (July 2012 against July 2011) – 4.8 percent;
- Russia (July 2012 against July 2011) – 5.6 percent;
- China (June 2012 against June 2011) – 2.2 percent.

2.1.2. Dynamics of Prices for Non-Food Products

Increase in the price index for non-food goods in annual terms amounted to 9.8 percent, 2.7 percentage points lower than in 2011. Thus, prices for clothing and footwear rose by 12.6 percent, mainly due to rise in price for men's and women's clothing by 9.1 percent and 10.9 percent, respectively. Recorded a rise in price for the group of "electricity, gas and other fuels" (+4.5 percent in annual terms). There was an increase in prices for the group of "household goods and appliances" (+13.1 percent). The main reason for such dynamics was the rise in price for household textiles (+15.2 percent), as well as furniture and floor coverings (+10.1 percent). The cost of fuel and lubricants in annual terms grew by 3.8 percent, including the price for gasoline rose by 3.8 percent, the price for diesel fuel - by 6.7 percent. In the second quarter of 2012 the price for petroleum products declined by 0.3 percent, including gasoline fell by 0.7 percent, diesel fuel has increased in price by 4.5 percent.

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

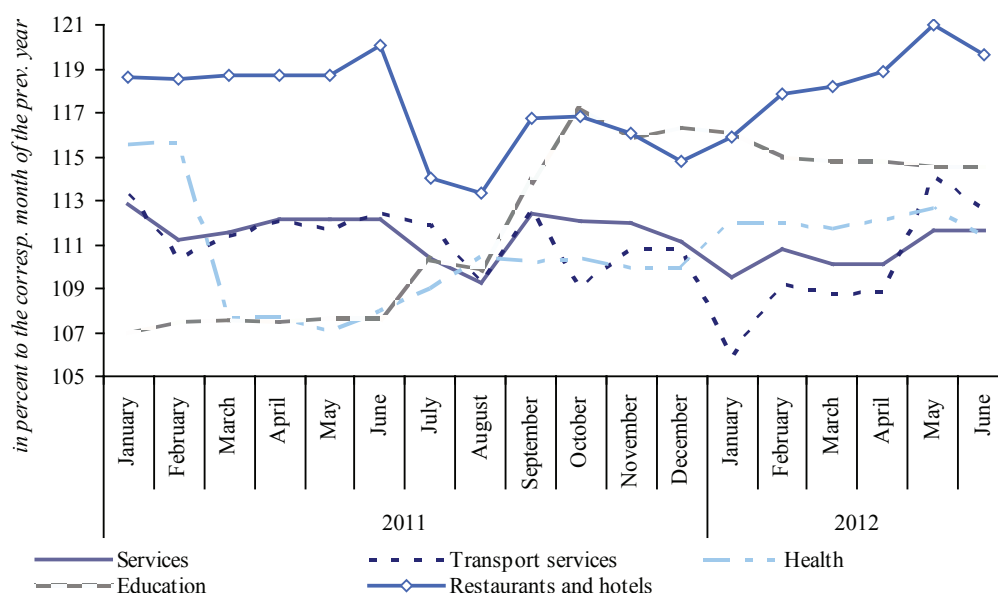


¹ Chicago Board Of Trade (CBOT) where agricultural and financial contracts are traded.

2.1.3. Dynamics of Prices for Services

The price index for paid services for the reporting period grew in annual terms by 11.7 percent (for the same period in 2011 - by 12.1 percent). The index growth in this group occurred mainly due to the rise in price for services of restaurants and hotels by 19.7 percent, education services (+14.6 percent) and transport (+8.6 percent). Health services rose by 11.4 percent.

Chart 2.1.4. Annual Dynamics of Prices for Paid Services

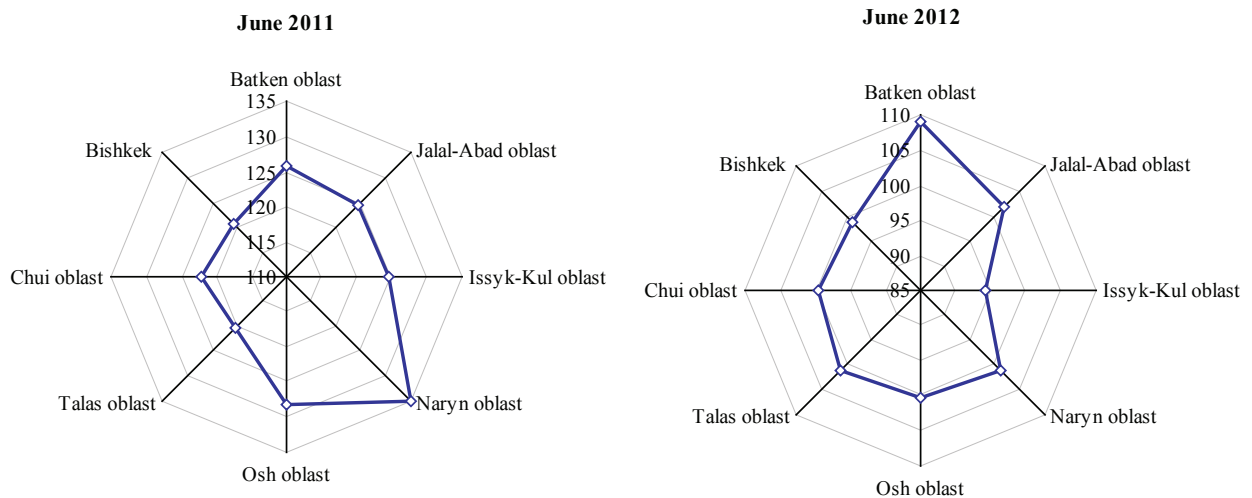


2.1.4. Dynamics of Consumer Price in Regions

As a result of June 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 prices increased by 8.9 and 0.3 percent respectively, in Jalal-Abad oblast – by 2.0 percent, in Talas oblast – by 1.2 percent, in Naryn oblast - 1.1 percent. In Chui oblast the prices fell by 0.4 percent, in Issyk-Kul oblast the price index fell by 5.9 percent.

In the capital of the republic there was a decrease in prices by 1.4 percent, while food products fell by 10.7 percent, alcohol and tobacco products increased in price by 8.5 percent, non-food goods - by 7.9 percent and paid services - by 10.4 percent.

Chart 2.1.5. Annual CPI in Regions
(percent)

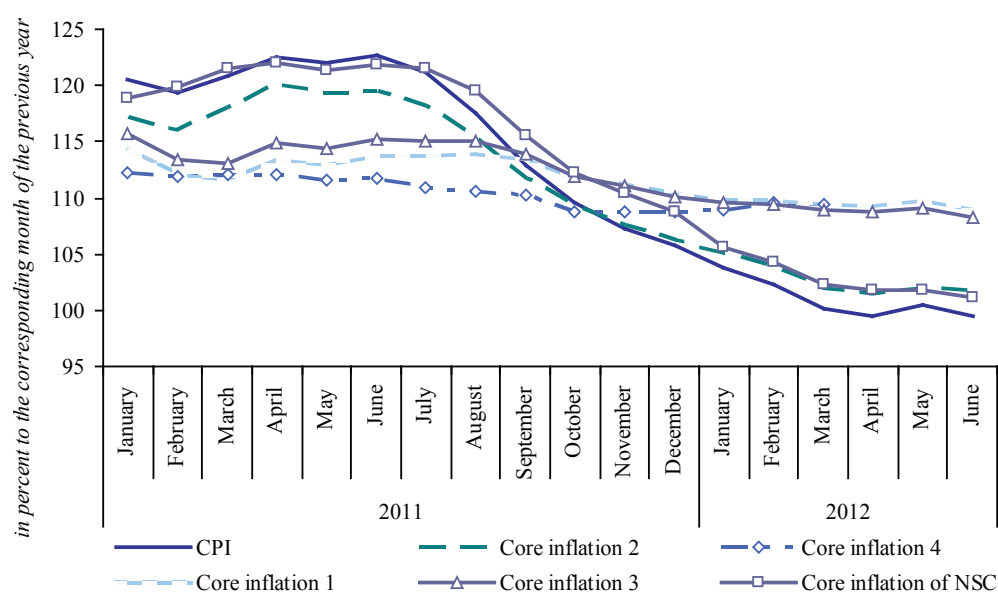


2.2. Core inflation

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 June 2012 amounted in annual terms to 1.2 percent, while the "crude" inflation rate - 0.5 percent. It should be noted that the graphical representation of core inflation indicator 4, which excludes food products, 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 second 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 analyze the results of economic development, on May 29, 2012 the NBKR Board reviewed and approved Monetary Policy Report for the first quarter of 2012. Abridged version of the Monetary Policy Report for the first quarter of 2012 was sent to Jogorku Kenesh, President's Office, Government Office, Ministry of Finance and Ministry of Economy and Antimonopoly 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 Policy Committee (hereinafter - MPC) develops and takes operative decisions in the monetary sphere. The MPC makes decisions every week based on an assessment of the situation taking place in the money market. In the period under review the volumes of transactions to regulate liquidity in the banking system were defined by the MPC based on the goals and objectives identified by the NBKR Board specified in the Main Monetary Policy Guidelines 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.

15 meetings were held by the MPC 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.

Due to the slowdown of inflation processes in the economy, the MPC in the second quarter of 2012 decreased the indicative amount of the NBKR notes in circulation from the level of 2.2 billion KGS at the end of March 2012 to 1.9 billion KGS at the end of June 2012.

In the second quarter of 2012, the volume of sales of the NBKR notes amounted to 7.1 billion KGS, the volume of sales of government securities under REPO terms amounted to 2.5 billion KGS. The volume of the NBKR notes in circulation at the end of June 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 0.4 billion KGS.

Chapter 4. Inflation Forecast

4.1. Forecast of Key Inflation Factor Dynamics

According to Chapter 1 "Economic Situation in the Kyrgyz Republic" of this report there is a decrease in GDP by the results of the first half of 2012 due to a significant reduction in processing industry. Thus, for the period of January-June 2012 the gold production at the deposit "Kumtor" declined by 60.0 percent, while in the first half of last year there was an increase in a similar index by 12.7 percent.

This reduction in output of industry was due to delayed access to areas of deposits with a higher content of gold in the ore. The updated plan for the volume of gold production at the mine "Kumtor" was declared in the first quarter of this year, which, accordingly, made significant adjustments to the forecast of economic development. This decline in production adversely affects the growth of the economy, and, accordingly, the amount of tax revenue. In addition, the reduction in gold production makes changes to the forecast of payment balance of the country (the decline in gold exports, reduced foreign direct investment (part of retained earnings) and earnings thereon).

At the moment, there are also significant risks of deterioration of the global economy, strengthening of the financial crisis in the euro area, which could adversely affect the economies of countries-major trading partners of Kyrgyzstan and, in turn, the economy of our country.

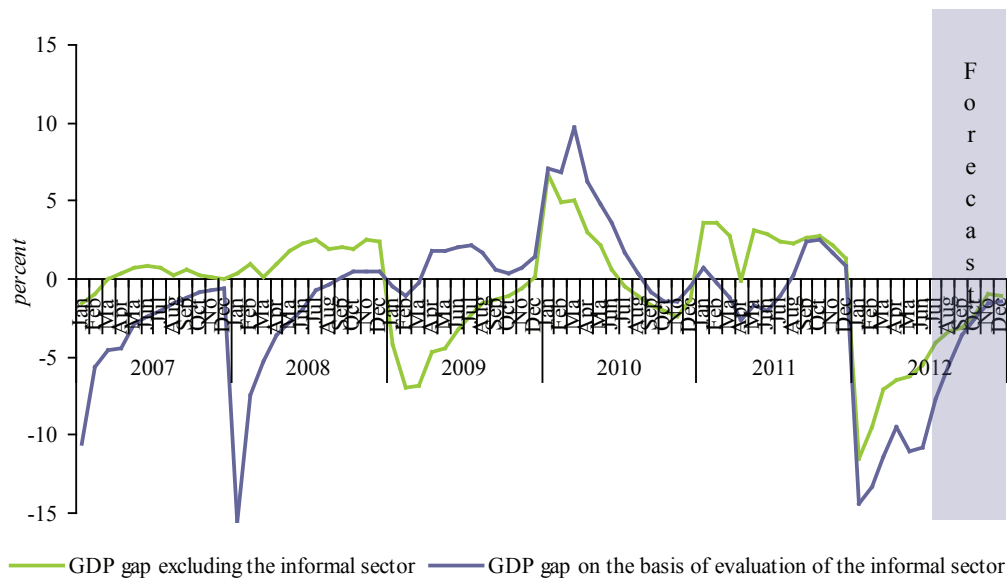
The slowdown in the growth of remittances in the second quarter of 2012 indicates the presence of certain instability in the external environment. This situation also raises concerns about the country's further development in the short term, because the inflow of remittances into the country is one of the main factors contributing to the increase in consumption in the country.

Thus, the overall forecast for economic growth of the Kyrgyz Republic is revised downward, and the various estimates vary in the range of 0.2-1.8 percent.

The gap between the potential and actual GDP is calculated to assess the macroeconomic potential of the country. In the first half of 2012 there was negative gap indicating that currently the production capacity of the country is not activated enough in the economy. On average, actual GDP for the period was 7.7 percent (GDP excluding the informal sector) and 11.7 percent (GDP taking into account the informal sector) less than potential GDP.

According to the updated forecast, the excess of the potential GDP above its actual value will remain in 2012. However, given that "Centerra Gold Inc." plans to produce the most of the planned amount of gold in the fourth quarter of this year, it is expected that by the end of the year the gap will be reduced.

Chart 4.1.1. Forecast of Actual and Potential GDP



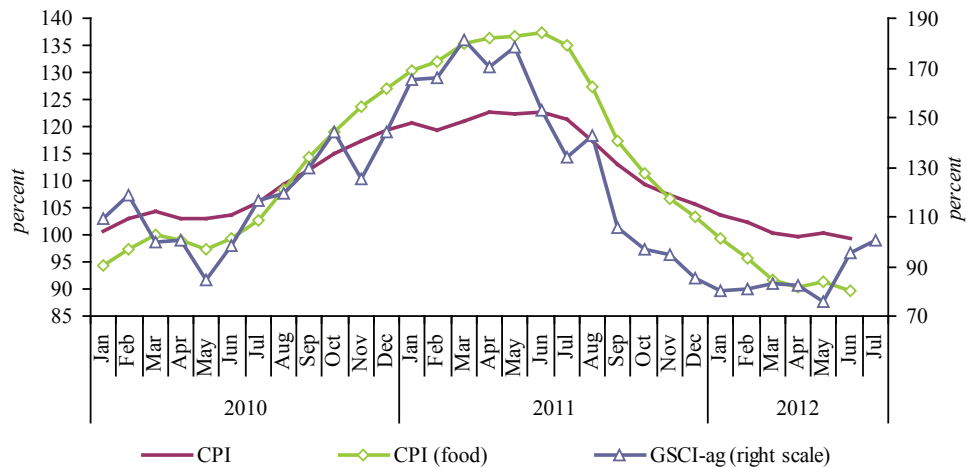
4.2. Inflation forecast for 2012 and III quarter of 2012

The inflation forecast for 2012 was adjusted to the level of 7.0-8.5 percent (previous forecast – 8.0-9.0 percent, was published in the "Inflation Report in the Kyrgyz Republic for I quarter of 2012"). The current forecast takes into account the stable dynamics of prices of the first half of 2012 and the rise in prices on world food markets due to unfavorable climatic conditions in the countries producing agricultural products.

The rise in world prices for grain products, emerging against the backdrop of adverse climatic conditions in major grain-producing regions of the world and fueled by a speculative investor activity has already started to appear on the dynamics of prices in Kyrgyzstan. Thus, according to the daily monitoring of prices by NSC KR, the price for bread as of July 27, 2012 increased compared to the beginning of the month by 6.4 percent.

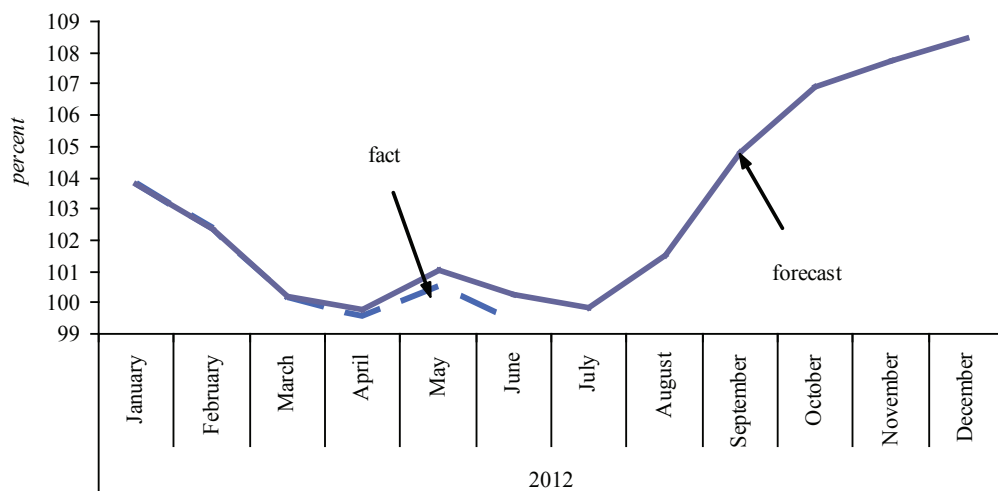
Against the backdrop of drought in the U.S. the world prices for wheat, corn and soybeans rose to a record over the past few years values. Dry weather was also in the grain producing regions of Russia, which led to an increase in wheat prices by 30-50 percent in June-July 2012.

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



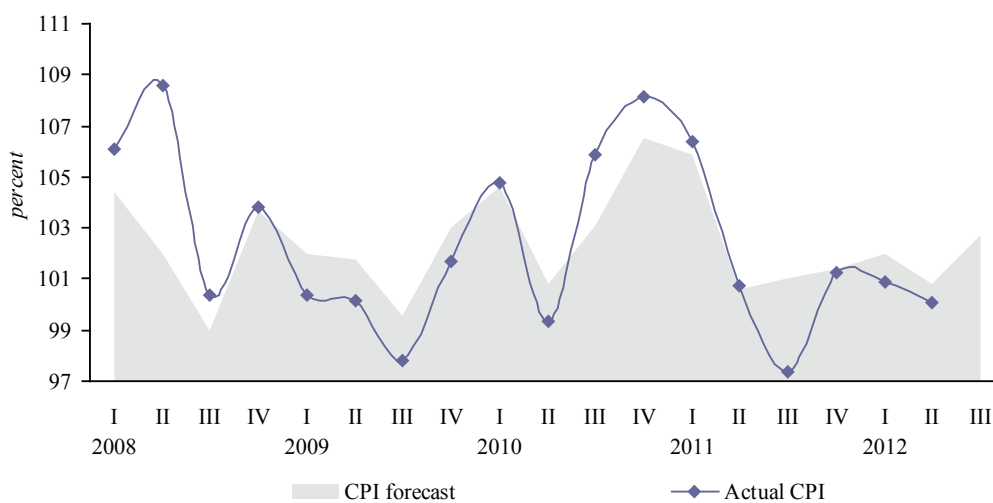
In 2012, the CPI dynamics will continue to be characterized by considerable volatility in the background of irregular dynamics of prices in 2011. Thus, the first half of 2011 was characterized by high level and moderate price dynamics, while in the second half of 2011 the price level fell sharply. Consequently, in 2012 there will "comparison base effect": in the first half of 2012 the annual rate of price change (the current month to the corresponding month of the last year) has remained at a low level and will accelerate in the second half of 2012.

The actual rate of inflation in the second quarter of 2012 (0.1 percent) was formed

below the forecast for this period (about 1.0 percent), which was published in the publication "Inflation Report in the Kyrgyz Republic for I quarter of 2012". The main reason for the slowdown in inflation in the second quarter of 2012 was larger than expected decline in food prices.

In the third quarter of 2012 the dynamics of inflation will be characterized by rising prices for food products on a background of negative expectations on the yield of major crops (cereals and oilseeds). Given the high probability of growth of food prices, the consumer price index in the third quarter of 2012 is forecasted at 2.7 percent, so that annual inflation by the results of September 2012 is estimated at 4.8 percent.

Chart 4.2.3. Inflation Forecast for Quarter III of 2012



Statistical Annex

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

	2012					
	January	February	March	April	May	June
Consumer price index for goods and services	100.8	100.1	100.0	99.8	100.7	99.6
Goods	100.8	99.9	100.0	99.6	100.4	99.5
Food and soft drinks	100.7	99.3	99.4	98.7	100.1	98.7
Alcoholic beverages and tobacco	100.1	100.9	100.2	100.8	100.6	100.5
Non-food products	101.3	100.6	100.7	100.5	100.7	100.2
Services	100.7	100.7	100.2	100.6	102.6	100.2
Alcoholic beverages and tobacco products	100.7	99.3	99.4	98.7	100.1	98.7
Bakery products and cereals	98.2	98.7	99.2	99.5	99.0	99.3
high-grade wheat flour	98.0	99.2	99.4	99.7	98.7	98.4
first-grade wheat flour	94.9	96.9	98.7	99.5	98.1	98.4
bread	99.4	99.4	99.3	99.9	99.9	99.7
Meat	101.9	99.8	98.6	99.3	99.8	99.4
Fish	102.3	100.0	101.1	102.2	100.8	99.7
Diary products, cheese and eggs	102.1	100.2	98.9	97.3	96.2	96.3
Oils and fats	100.0	99.5	99.6	98.9	99.0	99.7
Fruits and vegetables	103.6	98.5	101.1	94.6	102.7	95.6
fruits	100.0	100.8	100.8	100.5	101.6	110.4
vegetables	105.1	97.6	101.3	92.3	103.2	89.3
Sugar, jam, honey, chocolate and candies	101.1	99.3	100.0	99.6	104.4	99.1
sugar	100.8	99.0	100.1	99.1	109.3	98.3
Other food products	100.9	100.4	99.5	99.7	100.4	100.2
Soft drinks	101.0	101.1	98.8	100.5	100.1	100.1
Strong drinks and tobacco products	100.1	100.9	100.2	100.8	100.6	100.5
strong drinks	100.0	101.2	100.0	100.9	100.5	100.0
tobacco products	100.5	99.9	100.8	100.4	100.9	101.9
Garments and footwear	101.9	100.2	102.1	101.9	101.2	100.6
garments	102.2	100.1	100.1	101.1	101.1	100.6
fabric for garments	102.6	100.0	100.2	100.4	100.8	100.4
garments for men	102.1	100.2	100.1	100.8	100.6	100.0
garments for women	102.3	99.7	100.2	101.2	101.0	100.1
children and newborns garments	102.2	100.3	99.4	101.4	102.0	102.0
cleaning, mending and renting garments	100.4	102.9	100.1	101.9	102.2	100.0
footwear including repair	101.2	100.3	106.8	103.5	101.3	100.5
men footwear	100.2	99.9	106.4	102.5	101.5	100.3
women footwear	101.1	100.5	108.3	104.1	101.3	100.1
children footwear	102.4	100.3	102.8	103.1	100.9	101.6
shoe repair	100.0	100.1	113.2	100.3	100.1	100.0
Housing services, water, electricity, gas and other fuels	101.2	100.6	99.2	98.9	100.1	99.7
house rent	100.0	100.0	100.0	100.0	100.0	100.0
services for dwelling premises maintenance and repair	100.1	100.7	101.3	105.1	113.9	91.1
brick	97.0	101.3	101.2	104.0	111.2	91.2
carving wood	98.3	100.1	100.0	99.9	102.5	98.3
cement	99.5	100.1	100.4	109.7	145.0	78.4
flat glass	100.0	101.3	100.0	98.0	101.0	99.9
construction sand	100.0	101.5	100.0	124.1	103.3	87.5
slate	106.3	100.0	99.7	101.8	99.8	101.0
services for dwelling premises maintenance and repair	100.0	100.0	100.2	109.2	100.0	111.2
water supply	99.5	100.0	100.0	100.0	100.0	100.0
electricity, gas and other types of fuel	101.4	100.7	98.9	97.8	98.5	100.4
gas	108.5	100.4	99.3	100.4	100.2	100.3
Household articles, household appliances	101.0	101.2	100.5	100.9	101.1	100.8
furniture and floor coverings	100.1	100.2	99.3	100.3	100.8	100.1
household textile items	100.9	103.5	100.5	100.5	101.6	100.5
home appliances	100.1	100.6	103.4	100.2	100.1	103.5
glassworks, tableware and household stuff	102.3	102.4	100.2	100.6	100.6	100.3
Health	101.5	101.4	100.5	100.8	101.1	99.4
Transport	99.4	100.3	99.9	100.0	105.4	100.2
purchase of cars	99.8	100.5	99.7	97.0	100.4	101.4
petrol and lubricants	99.4	98.3	99.9	100.4	100.2	99.1
gasoline	99.4	98.2	99.7	100.1	100.1	99.0
diesel	99.9	99.2	102.2	103.7	101.1	99.6
maintenance and repair of personal vehicles	100.0	100.5	94.3	102.8	100.0	100.2
transport services	99.3	100.7	100.1	100.7	108.5	100.1
Communication	100.0	100.0	100.0	100.0	100.0	100.0
Recreation, entertainment and culture	100.4	101.1	101.1	101.2	98.8	100.2
cultural events services	100.4	100.3	100.0	100.4	100.1	100.0
papers, books and stationary	100.4	101.2	100.2	101.5	96.8	100.2
Education	100.3	100.0	100.0	100.0	100.0	100.0
Restaurants and hotels	102.9	102.0	100.5	100.8	101.8	100.0
catering	103.0	102.1	100.5	100.8	101.8	100.0
hotel service	100.0	100.1	100.1	100.0	101.2	100.7
Various goods and services	101.1	101.3	100.6	100.7	100.9	100.0
personal service	101.3	101.4	100.3	100.8	100.5	100.0
personal demand items, which are not included into other categories	100.0	101.0	103.3	100.0	100.2	100.0
other services, which are not included into other categories	100.0	100.0	100.0	100.0	114.1	100.0

Source: NSC KR

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

	2012					
	January	February	March	April	May	June
Consumer price index for goods and services	103.8	102.4	100.2	99.5	100.5	99.5
Goods	102.8	101.0	98.6	97.9	98.7	97.5
Food and soft drinks	99.3	95.8	91.7	90.3	91.4	89.7
Alcoholic beverages and tobacco	109.7	110.6	109.8	110.5	110.4	110.0
Non-food products	110.0	110.3	110.4	110.1	110.6	109.8
Services	109.5	110.8	110.1	110.1	111.7	111.7
Alcoholic beverages and tobacco products	99.3	95.8	91.7	90.3	91.4	89.7
Bakery products and cereals	96.0	91.1	84.2	83.1	83.0	83.0
high-grade wheat flour	91.0	86.3	79.5	78.1	77.7	77.1
first-grade wheat flour	90.2	82.3	73.1	72.5	72.5	72.8
bread	102.2	98.6	92.6	91.9	93.5	93.3
Meat	120.9	117.0	114.4	113.5	111.4	106.9
Fish	115.2	114.2	114.5	116.5	117.7	116.5
Diary products, cheese and eggs	107.1	105.2	107.3	106.0	104.9	103.8
Oils and fats	105.0	104.3	101.2	98.8	96.9	97.2
Fruits and vegetables	76.2	73.5	70.6	67.9	74.4	70.0
fruits	86.1	85.5	84.7	82.8	79.6	83.5
vegetables	72.4	69.0	65.6	62.5	72.5	64.5
Sugar, jam, honey, chocolate and candies	98.2	93.3	92.1	91.0	95.1	93.9
sugar	84.9	79.2	79.2	78.1	85.7	84.1
Other food products	107.6	105.4	105.9	105.3	105.6	105.4
Soft drinks	110.6	110.9	106.7	106.1	107.1	104.3
Strong drinks and tobacco products	109.7	110.6	109.8	110.5	110.4	110.0
strong drinks	108.7	110.0	109.8	110.8	110.5	109.7
tobacco products	112.2	111.9	109.7	109.7	110.2	111.0
Garments and footwear	113.8	112.4	112.8	112.5	112.6	112.6
garments	112.1	111.2	111.1	111.2	111.7	111.7
fabric for garments	112.7	112.8	112.7	112.9	113.7	114.1
garments for men	111.5	110.6	111.5	111.2	110.9	109.1
garments for women	111.8	111.2	111.0	111.3	112.4	110.9
children and newborns garments	112.9	111.6	110.1	110.3	110.7	115.3
cleaning, mending and renting garments	110.9	109.9	108.7	112.7	114.9	115.0
footwear including repair	117.8	114.8	116.1	114.6	113.7	113.7
men footwear	125.9	118.0	120.4	116.6	115.7	114.0
women footwear	116.0	114.1	115.5	114.3	113.3	113.8
children footwear	112.0	113.3	112.3	113.2	112.8	113.2
shoe repair	110.4	107.9	114.4	113.4	113.2	110.8
Housing services, water, electricity, gas and other fuels	103.2	104.5	104.6	104.7	106.9	106.0
house rent	114.8	114.2	114.2	114.2	114.2	114.2
services for dwelling premises maintenance and repair	107.9	108.9	107.7	112.2	127.2	114.7
brick	99.8	101.1	99.3	103.0	113.6	103.3
carving wood	108.0	108.0	105.2	104.1	106.5	99.6
cement	95.1	96.4	95.1	104.0	151.0	118.1
flat glass	107.3	109.5	109.5	107.2	108.6	104.9
construction sand	117.2	118.9	108.4	131.7	133.8	117.1
slate	111.3	111.4	111.0	111.9	110.6	112.5
services for dwelling premises maintenance and repair	95.7	95.7	95.9	103.8	103.2	130.2
water supply	105.8	105.8	105.8	105.8	105.8	100.8
electricity, gas and other types of fuel	103.6	105.0	105.2	104.4	105.2	104.5
gas	99.9	101.4	101.3	103.0	104.0	102.0
Household articles, household appliances	112.5	112.6	112.7	112.8	113.8	113.1
furniture and floor coverings	115.5	113.7	112.4	112.5	112.7	110.1
household textile items	111.5	115.4	115.0	114.4	116.0	115.2
home appliances	110.7	110.1	113.7	114.5	114.3	116.6
glassworks, tableware and household stuff	107.5	110.0	109.8	110.3	111.0	110.2
Health	112.0	112.0	111.7	112.1	112.7	111.4
Transport	103.4	106.9	106.6	106.2	109.4	108.6
purchase of cars	99.4	99.7	99.4	96.8	97.8	100.9
petrol and lubricants	99.0	110.4	111.1	110.4	106.3	103.8
gasoline	99.1	110.6	111.4	110.5	106.9	103.8
diesel	104.8	115.4	116.2	116.0	105.3	106.7
maintenance and repair of personal vehicles	100.3	100.8	95.1	97.8	97.8	97.6
transport services	105.8	109.1	108.7	108.8	114.1	112.6
Communication	103.1	103.1	100.0	100.0	100.0	100.0
Recreation, entertainment and culture	111.6	111.9	111.3	112.3	110.1	110.2
cultural events services	117.3	115.2	113.9	111.1	104.1	104.0
papers, books and stationary	117.0	116.9	113.6	115.2	111.5	111.7
Education	116.0	114.9	114.8	114.8	114.5	114.6
Restaurants and hotels	115.9	117.9	118.2	118.9	121.0	119.7
catering	116.0	118.1	118.5	119.2	121.3	120.0
hotel service	110.0	108.2	108.1	108.5	110.0	104.4
Various goods and services	106.4	107.3	107.5	106.6	107.1	106.9
personal service	106.5	107.6	107.5	107.4	107.5	107.0
personal demand items, which are not included into other categories	107.7	107.5	111.1	111.1	111.3	111.2
other services, which are not included into other categories	99.0	97.7	95.9	75.6	86.3	90.8

Source: NSC KR

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

Product name	5 mon.	5 mon.	5 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	399.7	357.9	243.9	1.12	1.47	1.64
Cast-iron and steel	71.0	68.0	41.2	1.04	1.65	1.72
Medicaments (including veterinary medicaments)	57.6	75.1	61.7	0.77	1.22	0.93
Vehicles for cargo transportations and vehicles of special assignment	57.2	186.5	40.1	0.31	4.66	1.43
Natural gas in gaseous state	38.4	36.5	30.4	1.05	1.20	1.26
Fertilizers	34.3	26.9	19.0	1.27	1.41	1.80
Essential oils and resinoids and perfume materials	31.4	29.0	31.5	1.08	0.92	1.00
Coffee, tea, cocoa, spices and their products	30.8	28.4	28.0	1.09	1.01	1.10
Electric wire telephone or telegraph sets	30.7	23.4	31.0	1.32	0.75	0.99
Crops (including eincorn) and mangcorn, unmilled	30.5	54.0	30.4	0.57	1.78	1.00
Sugar, sugar products and honey	29.8	34.5	34.2	0.87	1.01	0.87
Meat and meat products	29.0	25.8	32.4	1.13	0.79	0.90
Rubber tires	25.6	22.5	18.0	1.14	1.25	1.42
Paper, cardboard and products made of paper stock, paper and cardboard	25.1	25.3	23.9	0.99	1.06	1.05
Woven fabrics made of artificial textile materials	24.6	28.5	23.2	0.86	1.23	1.06
Vegetable oils and fats, raw materials, refined or fractionated	23.2	26.5	20.2	0.88	1.31	1.15
Plastics in prime form	21.7	20.9	15.9	1.04	1.31	1.37
Food products and preparations not included into other categories	21.5	12.4	15.5	1.73	0.80	1.39
Inorganic chemicals	19.7	16.8	12.6	1.18	1.33	1.57
Footwear with rubber or synthetic sole and upper	17.0	17.8	10.5	0.96	1.69	1.62
Sawed or spitted lengthwise conifer wood	16.0	14.8	12.2	1.08	1.21	1.31
Imperfect metal products not included into other categories	15.0	12.4	14.3	1.21	0.87	1.05
Vegetables and fruits	14.6	11.2	16.1	1.31	0.69	0.91
Compressed wood and restored wood	14.4	21.3	10.0	0.68	2.12	1.44
Coarse flour, low-ground flour, wheat and mangcorn flour	14.1	25.6	16.8	0.55	1.52	0.84
Coal, coke and briquette	14.1	12.0	15.6	1.18	0.77	0.90
Products from grain and products from flour or starch	13.9	13.6	11.0	1.02	1.23	1.26
Plastics in non-prime form	13.1	12.4	9.6	1.05	1.29	1.36
Machines for mixing, grading, leveling, excavating or drilling of soil	12.5	7.6	4.3	1.65	1.75	2.89
Alcohol beverages	11.8	11.5	12.6	1.03	0.91	0.94
Other machines for drilling and tunneling	11.7	3.9	2.4	3.00	1.60	4.80
Hand and machine tools	10.8	9.0	6.9	1.20	1.31	1.57
Sugar-sweetened mineral water and soft drinks	9.4	9.0	9.3	1.04	0.97	1.00
Coloring and tanning matters and dyes	9.3	8.3	6.5	1.12	1.28	1.44
Refractory bricks and other refractory construction materials	8.3	2.9	0.2	2.82	15.86	44.75
Trousers, coveralls, breeches and shorts	7.3	6.1	4.4	1.21	1.38	1.66
Mechanical shovels, excavators and scoop loaders	7.2	25.4	12.2	0.28	2.09	0.59
Electric and heat devices not included into other categories	6.8	4.6	3.8	1.48	1.20	1.77
Cars and vehicles for transportation of people	6.8	11.6	9.3	0.59	1.25	0.73
Design and construction elements of cast iron not included into other categories	6.7	11.6	6.7	0.58	1.72	1.00
Batteries and electric accumulators; their spare parts	6.6	2.8	4.1	2.36	0.68	1.61
Machines for automatic data processing and their blocks	6.5	6.7	5.8	0.97	1.15	1.12
Electric accumulators	6.5	4.9	2.2	1.32	2.25	2.96
Knitted or crocheted garments for women and girls	6.5	5.5	2.7	1.17	2.06	2.42
Household refrigerators and freezers	6.4	5.9	5.1	1.10	1.16	1.27
Electrical distribution equipment not included into other categories	6.4	6.3	4.4	1.01	1.44	1.46
Margarine and combined fats	6.2	6.3	5.9	0.99	1.07	1.05
Hardboard	6.0	5.7	4.5	1.04	1.28	1.34
Trailers and semi-trailers for the transport of goods	5.9	6.2	1.9	0.96	3.17	3.05
Fish (non-marine animals), crustacean mollusks and aquatic invertebrates	5.6	5.0	4.6	1.13	1.07	1.21
Knitted or crocheted garments for men and boys	5.6	2.4	2.1	2.38	1.13	2.70
Milk, cream and dairy products, except butter and cheese	5.6	5.6	3.9	0.99	1.42	1.41
Various chemical products not included into other categories	5.4	3.7	3.8	1.47	0.98	1.44
Machines for sorting, sieving, separating of ground coats, stones and ores	5.4	5.3	6.6	1.01	0.80	0.81
Machinery and mechanical equipment, industry-specific	5.3	24.2	2.0	2.02	11.81	2.61
Hosiery, knitted or crocheted	5.2	5.0	3.0	1.04	1.67	1.74
Insecticides, rodenticides, fungicides, herbicides	5.0	5.3	5.5	0.94	0.97	0.91
Nails, screws, nuts, bolts, rivets, etc. of iron, steel or copper	5.0	3.8	4.6	1.31	0.83	1.09
Medical and pharmaceutical products	4.9	5.2	5.9	0.95	0.89	0.84
Electric communication equipment not included into other categories	4.9	1.3	0.7	3.68	1.97	7.25
Tractors	4.8	5.1	1.5	0.95	3.38	3.21
Glazed ceramic tiles	4.6	4.9	3.7	0.92	1.33	1.23
Jackets, pullovers, cardigans, waistcoats and similar articles, crocheted or knitted	4.5	3.6	4.1	1.24	0.89	1.10
Filtering and purifying machinery for liquids or gases	4.4	2.5	2.1	1.78	1.17	2.09
Rice	4.3	4.6	2.8	0.93	1.66	1.55
Pottery	4.2	4.2	3.4	0.99	1.21	1.21
Household laundry equipment	4.1	4.0	3.2	1.04	1.25	1.30
Products from non-metallic minerals not included into other categories	4.1	3.9	3.0	1.06	1.30	1.37
Floor coverings	4.1	3.7	3.8	1.10	0.97	1.06
Textile yarn	4.0	3.9	3.0	1.01	1.29	1.30
Trousers, coveralls, breeches and shorts	3.9	3.3	2.5	1.17	1.33	1.56
Nomenclature Total (mln, USD)	1,404.9	1,511.9	1,060.5	0.93	1.43	1.32
Nomenclature Total (% of total imports)	74%		76%			
Total import	1,910.8		1,395.5			

According to the NSC at FOB prices; the Table demonstrates the first 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-May 2012

<i>Product name</i>	<i>5 mon.</i>	<i>5 mon.</i>	<i>5 mon.</i>	<i>Indexes</i>		
	<i>2012</i>	<i>2011</i>	<i>2011</i>	<i>price</i>	<i>phys. vol.</i>	<i>value</i>
	<i>mln. USD</i>	<i>mln. USD</i>	<i>mln. USD</i>			
	<i>n12*p12</i>	<i>n12*p11</i>	<i>n11*p11</i>	<i>A/B</i>	<i>B/C</i>	<i>A/C</i>
	A	B	C			
Gold, nonmonetary (excluding gold ores and concentrates)	190.3	159.8	432.4	1.19	0.37	0.44
Inorganic chemicals	67.7	7.2	6.7	9.36	1.08	10.16
Vegetables and fruits	52.0	42.2	53.3	1.23	0.79	0.98
Petroleum, petroleum products and related materials	45.6	32.2	33.6	1.42	0.96	1.36
Cotton	16.3	18.0	5.3	0.90	3.37	3.05
Ores and concentrates of precious metals	14.3	49.7	1.6	0.29	31.53	9.07
Dresses	13.2	15.4	8.3	0.86	1.87	1.59
Vehicles for cargo transportations and vehicles of special assignment	12.5	5.4	1.0	2.30	5.20	11.96
Milk, cream and dairy products, except butter and cheese	11.3	12.9	9.8	0.87	1.32	1.15
Cast-iron and steel	10.7	4.2	2.3	2.55	1.81	4.64
Blouses, jackets and jacket-blouses	10.6	12.8	11.1	0.83	1.15	0.96
Trousers, coveralls, breeches and shorts	8.3	9.4	6.9	0.88	1.36	1.20
Electrical current	7.9	6.5	20.8	1.20	0.31	0.38
Incandescent lamps	7.5	6.9	7.8	1.10	0.88	0.97
Knitted or crocheted garments for women and girls	7.5	7.4	8.7	1.01	0.85	0.87
Skirts and divided skirts	5.1	6.1	4.3	0.83	1.42	1.18
Various base metals used in metallurgy	4.6	5.1	3.4	0.89	1.51	1.35
Metal scrap and waste of precious non-ferrous metals not included into other categories	4.5	3.7	4.2	1.21	0.89	1.08
Hosiery, knitted or crocheted	4.5	5.5	2.8	0.82	1.95	1.59
Paper, cardboard and products made of paper stock, paper and cardboard	3.9	3.4	3.2	1.17	1.07	1.25
Trousers, coveralls, breeches and shorts	3.7	4.0	3.6	0.93	1.09	1.02
Raw tobacco; tobacco waste	3.7	3.0	3.6	1.22	0.85	1.03
Overcoats, carcoats, capes, cloaks and similar articles	3.6	4.6	2.9	0.80	1.56	1.25
Live animals	3.5	2.7	3.0	1.29	0.88	1.13
Portlandcement, cement	3.1	3.2	1.8	0.98	1.77	1.74
Hand and machine tools	3.1	0.7	0.5	4.70	1.27	5.95
Skins of bovine or equine hides and rawhide	3.1	2.4	2.2	1.28	1.08	1.38
Metal waste and scrap of ferrous metallurgy	2.9	2.7	6.5	1.09	0.41	0.45
Cars and vehicles for transportation of people	2.8	2.6	1.3	1.05	2.10	2.20
Products from grain and products from flour or starch	2.7	2.2	1.6	1.24	1.36	1.69
Rubber tires	2.6	1.3	4.1	1.91	0.33	0.63
Products from nonmetallic minerals, not included into other categories	2.5	2.2	1.3	1.13	1.69	1.90
Food products and preparations not included into other categories	2.2	2.2	1.5	0.98	1.51	1.49
Coffee, tea, cocoa, spices and their products	2.2	1.9	1.7	1.13	1.11	1.26
T-shirts, combinations, petticoats, bikinis, briefs, nightshirts, gowns and similar	2.0	1.4	1.0	1.38	1.40	1.93
Plastics in prime form	1.8	0.3	0.1	6.05	3.13	18.96
Meat and meat products	1.8	1.1	1.4	1.58	0.82	1.29
Cheese and curd	1.7	1.6	0.9	1.07	1.83	1.96
Sugar-sweetened mineral water and soft drinks	1.7	1.5	3.0	1.15	0.49	0.56
Products of base metal, not included into other categories	1.6	0.4	0.8	3.86	0.52	1.99
Woven fabrics made of artificial textile materials	1.5	1.8	1.8	0.83	1.03	0.85
Butter and other fats and oils derived from milk	1.5	1.4	0.8	1.11	1.76	1.95
Tractors	1.1	1.4	0.8	0.78	1.88	1.46
Jackets and blazers	1.1	1.3	0.9	0.82	1.54	1.26
Nomenclature Total (mln, USD)	555.6	461.9	674.4	1.20	0.68	0.82
Nomenclature Total (% of total exports)	87%		90%			
Total export	636.1		748.8			

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