

Press-release
**The National Bank of the Kyrgyz Republic keeps
its policy rate unchanged at 5 percent**

On February 27, 2017, the Board of the National Bank of the Kyrgyz Republic decided to keep the policy rate unchanged at 5.00 percent. The decision becomes effective as of February 28, 2017.

The moderate inflationary dynamics has been observed in the Kyrgyz Republic. Annual inflation (as of February 17) made up 1.2 percent. High supply of foodstuff during 2016 put a downward pressure on domestic food prices. Since the beginning of the year, food prices switched to positive area under the recovery of domestic demand. At the same time, the inflationary inertia of goods that are included in non-food group, has been also slowing down.

Economic activity has been recovering and is supported by increasing domestic consumption. Positive trends in agriculture production and moderate growth in trade resulted in the GDP growth of 7.9 percent in January 2017. Real GDP growth without considering the data of “Kumtor” gold-mining enterprises, which is more relevant for monetary policy, reached 5.0 percent. Given the current factors remain unchanged, the National Bank estimates the positive trend of GDP growth dynamics will be continued until the end of 2017. This, in turn, will put a moderate pressure on inflation in the future.

The domestic foreign exchange market remains stable. Since the beginning of 2017 (as of February 27), the national currency has appreciated by 0.2 percent. Foreign exchange interventions conducted only to smooth the short-term excessive volatility of exchange rate.

The National Bank’s expansionary monetary policy has contributed to lower short-term rates in national currency and allowed to continue support the real economy. The latter will facilitate strengthening the monetary transmission mechanism.

According to the National Bank estimates, on the background of current trend of recovering domestic consumption and price dynamics at the global food and commodities markets, inflation will be close to the target range of 5-7 percent in 2017. Under these conditions and given low inflationary risks, the decision to keep the National Bank’ policy rate at the current level will support further economic recovery.

The National Bank on a regular basis assesses external and internal factors influencing inflation and will continue to take relevant and timely monetary policy measures.

Information note:

The next meeting of the Board of the National Bank of the Kyrgyz Republic on the monetary policy rate is scheduled for March 27, 2017.