

The monetary policy report for January-September 2012

Adopted by the
Resolution of the NBKR Board
No. 46/1 as of November 29, 2012

Major trends in monetary policy

According to preliminary data, for January-September 2012, compared to the same period in 2011 the economic downturn constituted 4.6 percent (in January-September 2011, GDP grew by 8.3 percent). GDP decline was mainly due to reduced production at the companies developing the Kumtor deposit. Excluding the Kumtor deposit GDP grew by 3.8 percent (in January-September 2011, the growth of the similar indicator constituted 6.0 percent). The GDP deflator was formed on at 10.4 percent against 19.3 percent in January-September 2011.

According to preliminary data of the Central Treasury of the Ministry of Finance, the budget deficit in January-September 2012 amounted to 11.6 billion KGS or 5.7 percent to GDP (in January-September 2011, the budget ran a deficit of 2.5 percent to GDP).

The maintenance of high dependence of domestic prices on world food prices, expected high public deficit, coupled with the uneven distribution of budget expenditures pose risks to price stability. In this regard, in order to limit the monetary component, the NBKR continued to conduct operations to sterilize excess liquidity in the reporting period of the current year. Thus, the volume of NBKR notes in circulation has risen from 1.4 billion KGS at the end of 2011 to 1.8 billion KGS at the end of September 2012, the volume of government securities in circulation sold under the repo terms increased from 206.8 million KGS at the end of 2011 to 500.0 million KGS at the end of September 2012.

The discount rate for the reporting period decreased from 13.61 to 4.25 percent.

In January-September 2012, the monetary base increased by 9.8 percent constituting 60.2 billion KGS at the end of September 2012 (in the same period in 2011 the increase constituted 5.4 percent), the volume of broad money M2X increased by 18.9 percent constituting 94.6 billion KGS at the end of September 2012 (in the comparable period in 2011 - 10.5 percent).

In 2012, the formation of inflation processes was influenced by external and internal factors. In the first half of the year, favorable external factors such as the decline in world prices for basic foodstuffs, in conjunction with domestic ones, high yield in 2011 on a background of tight monetary policy helped keep low rate of price growth (1.9 percent). However, in June 2012, with the advent of new information on the drought in major grain-producing regions of the world and the negative forecasts of yield in the country, the beginning of increase in grain prices has been marked which accelerated inflation in the country in the second half of the year. During the traditional seasonal deflation, from July to October of this year, prices rose by 4.1 percent, in comparison, a decrease of 3.1 percent has been noted in the comparable period of 2011,.

According to the National Statistical Committee, the consumer price index, which characterizes the rate of inflation, constituted 3.1 percent since the beginning of 2012 (September 2012 to December 2011), while for the same period in 2011 it constituted 4.4 percent. In annual terms (September 2012 to September 2011), inflation constituted 4.4 percent, while the corresponding figure in 2011 rose by 13.0 percent.

In January-September this year, the NBKR carried out currency intervention only to prevent sharp fluctuations in the exchange rate, mainly in January-February and in June. Compared to previous years, this year the supply and demand in the foreign exchange market was almost balanced on their own without intervention of the NBKR. Thus, the gross foreign exchange interventions in the reporting period amounted to USD 43.1 million against USD 169.6 million in the comparable period of 2011, while net sales of foreign currency for the reporting period amounted to USD 38.3 million (in January -September 2011 – USD 65.9 million). The

exchange rate of the U.S. dollar relative to the KGS from the beginning of the year has increased by 1.43 percent (in the same period of 2011 there was a decrease of the exchange rate by 4.46 percent).

According to preliminary data, the index of the nominal effective exchange rate (NEER) of the KGS since 2012 has decreased to 2.9 percent and constituted 112.8 at the end of September. Despite an even lower rate of inflation¹ in partner countries the NEER depreciation caused decrease in the index of the real effective exchange rate (REER), which has decreased by 2.2 percent since December 2011 and has constituted 110.1 at the end of September 2012.

According to preliminary results of nine months of 2012 the deficit of the current account amounted to 22.8 percent to GDP, mainly due to the expansion of the trade balance deficit by 90.4 percent due to the decline in the gold exports. The net inflow of remittances amounted to USD 1.3 billion, which is higher than the similar indicator for 2011 by 17.6 percent. Gross international reserves cover 3.7 months of future imports of goods and services.

Dynamics of monetary indicators

In order to limit inflationary pressure, in January-September 2012, the NBKR using open market operations actively conducted operations to sterilize excess liquidity. At the end of September 2012, the monetary base amounted to KGS 60.2 billion, having increased from the beginning of the year by 9.8 percent or KGS 5.4 billion (for January-September 2011, an increase in the monetary base amounted to 5.4 percent). Government operations have increased the monetary base by KGS 6.8 billion, and the National Bank operations reduced it by KGS 1.5 billion.

Nominal growth rates of monetary aggregates in annual terms by the end of September 2012 were in the range from 14.3 to 23.7 percent, while at the end of September 2011 they were in the range from 15.2 to 21.6 percent. Among monetary aggregates broad money M2X grew at the fastest rate, mainly due to the growth of the deposit base².

M0 (currency outside banks) for the reporting year 2012 increased by 7.1 percent and at the end of September 2012 amounted to KGS 52.6 billion (M0 increase in the comparable period in 2011 was 6.7 percent).

M2 money supply, which includes money out of banks and deposits in national currency, increased in January-September 2012 to 14.5 percent and at the end of September 2012 amounted to KGS 71.1 billion (in January-September 2011, the increase of M2 constituted 9.2 percent).

Broad money M2X, including foreign currency deposits, at the end of September 2012 amounted to KGS 94.6 billion, having increased from the beginning of the year to 18.9 percent (in January-September 2011 – 10.5 percent). The main contribution to the growth of M2X was by the increase of deposits which has increased by 36.2 percent since the beginning of the year (for January-September 2011, deposits increased by 16.2 percent). At the same time, the growth of deposits in national currency amounted to 37.7 percent (in January-September 2011 – 17.7 percent), and in foreign currency - 35.0 percent (in the comparable period of 2011 – 15.0 percent). Overall, the growth of the deposit base shows the continued confidence in the banking system and the creation of the framework to enhance the credit activity of the banking system.

In the currency structure of M2X broad money, shares of deposits in foreign currency at the end of September 2012 amounted to 24.8 percent, in the national currency – 21.7 percent, respectively.

¹Inflation in the Kyrgyz Republic in January-September 2012 was 3.1 percent, while average inflation rate of main trading partner countries, according to preliminary estimates, was 1.9 percent.

²Excluding deposits of the government and non-residents.

In January-September 2012, the growth rate of credit to the economy was 16.5 percent (in the same period in 2011 an increase constituted 16.1 percent), including lending in foreign currency increased by 17.9 percent, while in the national currency it was 14.9 percent (in the comparable period of 2011 – 11.3 percent and 21.5 percent, respectively).

Velocity of M2X broad money for January-September 2012 decreased from 3.8 at the beginning of the year to 3.4 at the end of September 2012 due to progressive rates of money growth over nominal GDP. Coefficient of the economy monetization, calculated by the M2X monetary aggregate, constituted 29.5 percent at the end of September 2012, having increased from the beginning of the year by 2.9 percentage points.

M2X broad money multiplier characterizing the degree of financial intermediation has increased from 1.451 at the end of 2011 to 1.572 at the end of the reporting period in 2012 due to higher growth rates of broad money in comparison with the rate of growth of the monetary base.

Inflation: Results and Trends

According to the National Statistics Committee, the 12-month inflation rate (September 2012 to September 2011) was 4.4 percent (in September 2011 – 13.0 percent). Since the beginning of 2012 the general price level increase constituted 3.1 percent, the annual average formed at 1.3 percent.

First half of 2012 was characterized by the decrease in the overall price level in the Kyrgyz Republic on the background of falling world prices for basic foodstuffs. For the first time in 10 years deflation in annual values was noted twice in this period. In June 2012, information has appeared about adverse weather conditions and consequently reduced production targets for certain crops, against which markets of wheat and corn began to show a significant increase in prices. Changes in world wheat prices were reflected in domestic prices for bakery products. The situation was also complicated by internal causes, which were due to the poor grain yield. An additional factor in the growth rate of inflation in the country was also the population's income growth (net inflow of remittances increased by 19.9 percent, real wages grew by 20.5 percent).

Despite the increase in prices observed in recent months, in general, a foodstuffs group (46 percent in the structure of the consumer basket) in September 2012 fell by 1.1 percent since the beginning of the year, in annual terms by 1.4 percent. The rate of increase in prices of non-food goods, paid services, alcohol and tobacco in annual terms remained within the range of previous rates (+8-10 percent).

Table 1. The consumer price index in the Kyrgyz Republic

	September 2012 against			Jan.-Sept. 2012 against Jan.-Sept. 2011
	August 2012	September 2011	December 2011	
All goods and services	101,1	104,4	103,1	101,3
Food and beverages	100,9	98,6	98,9	93,5
Alcoholic beverages, tobacco products	100,3	108,6	104,9	109,7
Non-food products	101,1	109,9	106,2	109,9
Services	102,2	109,7	108,2	110,4

In September 2012, prices for bakery products and cereals fell an annualized by 3.0 percent, including prices of wheat flour of first grade, which dropped by 1.5 percent. At the same time, in the third quarter of 2012, bakery products and cereals surged by 10.6 percent, including wheat flour of first grade by 21.3 percent.

Prices for fruits and vegetables in annual terms rose by 4.4 percent, including fruit - by 24.3 percent, and vegetables fell by 4.5 percent.

The dynamics of sugar prices in Kyrgyzstan returns to its previous values, the cost of sugar fell by 20.5 percent in annual terms, while in September 2011, the price of sugar rose by 21.3 percent in annual terms.

Prices of the “oils and fats” group of products based on the results in September 2012 decreased by 2.1 percent, while in 2011 the same indicator increased by 19.2 percent. The current price dynamics for the “oils and fats” group of products is largely due to the continued effect of a rich yield of oilseed crops in 2011.

In annual terms, milk production increased by 5.2 percent, including in the third quarter - by 3.3 percent. Prices for meat production based on the results of September 2012 fell by 1.4 percent in annual terms.

Import dependence of the economy on foods has grown substantially causing significant risks to domestic food security. Thus, the food balance of the Kyrgyz Republic for the 2nd quarter of 2012¹ shows that the import dependence by grains was 70.2 percent, against 42.4 percent in the same period in 2011, as a result of the poor yield in the country and, consequently, the increase in imports; by vegetable fats – 63.9 percent (+14.3 percentage points), sugar and confectionery – 84.4 percent (+8.4 percentage points).

Table 2. Food balance of the Kyrgyz Republic on basic food
(thousand tons)

	Bread stuffs*		Vegetable fats		Sugar and confectionery**	
	II'2011	II'2012	II'2011	II'2012	II'2011	II'2012
Received	1 680,1	1 671,2	59,7	53,6	56,3	54,9
Stocks at the beginning of the year	1 453,8	1 295,6	36,0	26,4	15,9	10,4
Produced in the country	14,6	4,6	8,1	6,8	0,0	0,0
Imported	211,7	371,0	15,6	20,4	40,4	44,5
Consumption	1 102,2	1 096,1	31,4	31,9	53,5	53,0
Costs for seeds	76,1	87,7	-	-	-	-
Fodder for cattle	454,3	470,0	-	-	-	-
Losses	29,1	6,4	0,0	0,0	0,0	0,0
Exported	43,3	25,3	0,0	0,0	0,4	0,3
Consumption by the population	499,4	506,7	31,4	31,9	53,1	52,7
Stocks at the end of the period	577,9	575,1	28,3	21,7	2,8	1,9
The share of imports in total consumption, percent	42,4	73,2	49,7	63,9	76,1	84,4

* recalculated for grain

**recalculated for sugar

Increase the price index for non-food products in annual terms constituted 9.9 percent, which is by 0.7 percentage points lower than in 2011. The largest contribution to the rise in prices for non-food products was made by the rise in prices for goods in the “clothing and footwear” group (+13.1 percent), “electricity, gas and other fuels” group (+6.4 percent), “household goods and appliances” group (+10.4 percent).

The cost of fuel and lubricants in annual terms rose by 0.4 percent, including the price of gasoline, which decreased by 0.2 percent, diesel prices increased by 6.7 percent. In the third quarter of 2012, prices of fuel and lubricants rose by 1.7 percent including gasoline prices which rose by 1.9 percent and diesel fuel prices decreased by 0.5 percent.

The price index for paid services for the period under review grew by 9.7 percent in annual terms (for the same period in 2011 – by 12.4 percent). Increase in the index in this group was mainly due to increased cost of services of restaurants and hotels (+13.1 percent), as well as

¹A reference to earlier periods of time due to lack of data for the third quarter of 2012.

education services (+11.8 percent) and transport services (+7.3 percent). Health services rose by 12.0 percent.

The real sector

According to preliminary data, for January-September 2012, GDP at current prices constituted KGS 203.8 billion having decreased by 4.6 percent compared to the same period in 2011, while in January-September 2011 GDP grew by 8.3 percent. Excluding companies for developing the Kumtor deposit GDP grew by 3.8 percent (in January-September 2011, the growth of the same indicator constituted 6.0 percent). GDP deflator was formed at 10.4 percent compared to 19.3 percent in January-September 2011.

A decline in GDP in January-September 2012 occurred due to the manufacturing industry (-7.7 p.p.), which was due to the decline in output at the companies of the Kumtor deposit.

Table3. The contribution of individual activities in the growth/decline in GDP (percent)

	Ration Jan.-Sept.		Growth rate Jan.-Sept.		Contribution in growth Jan.-Sept.	
	2011	2012	2011	2012	2011	2012
Agriculture, hunting and forestry	19,4	20,3	2,7	2,0	0,5	0,4
Mining Industry	0,8	1,2	21,2	23,1	0,1	0,2
Processing Industry	17,4	10,2	26,1	-44,3	4,2	-7,7
Electricity, gas and water generation and distribution	3,1	3,0	22,9	9,0	0,8	0,3
Construction	4,6	5,1	-5,0	12,0	-0,3	0,6
Trade; repair of motor vehicles	15,1	15,8	5,0	8,5	0,8	1,3
Transportation and communication	8,2	8,8	10,8	9,1	1,0	0,7
Other	20,0	21,8	1,8	1,0	0,4	0,2
Net taxes on products	11,4	13,7	8,3	-4,6	0,9	-0,5
GDP	100,0	100,0	8,3	-4,6	8,3	-4,6
GDP without Kumtor	87,5	94,9	6,0	3,8	5,4	3,3

Sources: NSC data, NBKR adjustments

In January-September 2012, industrial production was produced in the amount of KGS 81.5 billion, the physical volume of industrial production fell by 33.9 percent. Excluding companies developing the Kumtor gold deposit industrial production growth constituted 7.0 percent.

In manufacturing the volume of production decreased by 44.3 percent compared to the same indicator in 2011 against the background of a decline in steel production and fabricated metal products (-67.9 percent), textile and clothing manufacturing (-21.3 percent).

In addition, the observed increase in the physical volume of production in the mining industry (+23.1 percent), in the production and distribution of electricity, gas and water (+9.0 percent).

According to preliminary data, in January-September 2012, there was an increase of trade turnover by 9.3 percent (for the same period in 2011, an increase constituted 5.4 percent), including wholesale trade by 9.1 percent and retail trade (except trade of cars and motor fuel) by 6.6 percent.

The volume of investment in fixed assets, according to preliminary data, in January-September 2012 increased by 9.1 percent compared to 2011 and amounted to KGS 35.4 billion. In the sectoral structure of investment the bulk of investments is occupied by mining – 27.8 percent, transport and communication (investment in the project of reconstruction of the “Taraz-Talas-Suusamy,” “Osh-Irkeshtam,” “Osh-Isfana,” “Bishkek-Naryn-Torugart,” “Southern

transport corridor” roads, the rehabilitation of roads under the “Improving the Regional Road Corridor” project) – 14.1 percent, manufacturing industry – 12.8 percent.

The external economic sector¹

According to pre-forecast data, in January-September 2012, despite the increase in the surplus in the current transfers account and reduction in the deficit in “income”, a substantial increase in the deficit balance of goods and services may lead to a threefold increase in the deficit of the current account to 22.8 percent to GDP.

Based on the first nine months of this year, the trade balance deficit of the Kyrgyz Republic will increase by 90.4 percent to USD 2,134.2 million.

In January-September 2012, the exports of goods (in FOB prices), compared to the same indicator of 2011, will decrease by 17.3 percent and amount to USD 1,322.0 million, the imports of goods (in FOB prices) will increase by 27.1 percent and amount to USD 3,456.2 million.

The net inflow on current transfers will be formed in amount of USD 1,449.2 million, which is by 7.6 percent more than in the same period of 2011. The main increase on this item in the January-September will be traditionally ensured through private transfers, net inflow on which will increase by 11.5 percent to USD 1,448.2 million. Along with this, the net inflow of official transfers will decline to USD 1.0 million (in January-September 2011 – USD 48.1 million).

Based on the first nine months of 2012, the capital account and financial account will be formed with a positive balance of USD 618.8 million, which will exceed the corresponding indicator of the previous year 2.6 times.

Thus, in January-September 2012, the balance of payments showed a surplus of USD 122.3 million. Gross international reserves will cover 3.7 months of future imports of goods and services.

According to preliminary data, the index of the nominal effective exchange rate (NEER) of the KGS since the beginning of 2012 has decreased by 2.9 percent and by the end of September constituted 112.8. The decrease was due to the depreciation² of the KGS in September 2012 compared to the average rate for December 2011 in relation to the Turkish lira by 4.3 percent, the Chinese yuan - by 1.0 percent, the Russian ruble - by 0.9 percent, to U.S. dollar - by 0.6 percent. However, with respect to the euro, the KGS exchange rate has appreciated by 2.0 percent, the Kazakh tenge - by 0.7 percent.

Despite the lower rate of inflation³ in the partner countries, the depreciation of KGS NEER index caused decrease in the index of the real effective exchange rate (REER), which has decreased by 2.2 percent since December 2011 and at the end of September 2012 amounted to 110.1.

The public finance sector

According to preliminary data of the Central Treasury of the Ministry of Finance, the budget deficit in January-September 2012 amounted to KGS 11.6 billion or 5.7 percent to GDP (in January-September 2011, the budget ran a deficit of 2.5 percent to GDP). At the same time, excluding official transfers received, the state budget deficit amounted to KGS 15.1 billion or 7.4

¹ Based on actual and forecast data.

² The data on the nominal bilateral exchange rate of the KGS are given; the year 2000 is used as the base period to calculate the index

³ Inflation in the Kyrgyz Republic in January-September 2012 was 3.1 percent, while the average inflation rate of main trading partner countries, according to preliminary estimates, was 1.9 percent.

percent to GDP. Total financing of the state budget for the period under review amounted to KGS 16.5 billion: including internal financing – KGS 6.2 billion, external funding – KGS 10.3 billion.

According to preliminary data of the Social Fund of the Kyrgyz Republic, the budget deficit of the Social Fund in January-September 2012 amounted to KGS 0.2 billion or 0.1 percent to GDP, revenues – KGS 21.9 billion or 10.7 percent to GDP, expenses–KGS 22.1 billion or 10.8 percent to GDP.

Consolidated budget deficit (the state budget + budget of the Social Fund) following the reporting period amounted to KGS 11.8 billion or 5.8 percent to GDP. Revenues amounted to KGS 74.1 billion or 36.4 percent to GDP, while expenses– KGS 86.0 billion or 42.2 percent to GDP.

In January-September 2012, the state budget revenues from operations increased by 13.9 percent compared to the same indicator in 2011 and totaled KGS 62,6 billion or 30.7 percent to GDP (in the same period in 2011 the increase was 35,6 percent).

State budget expenses for operating activities in January-September 2012 amounted to KGS 69.6 billion having increased by 28.3 percent¹ or KGS 15.4 billion.

According to the functional classification of budget expenses, in the reporting period, there was an increase in expenses relative to GDP on economic issues (by 2.2 p.p.), education (1.6 p.p.), health care (1.1 p.p.), social protection (by 1.0 p.p.), housing and communal services (0.1 p.p.), leisure, culture and religion (0.1 p.p.). expenses relative to GDP on general public services, defense, public order and safety and protection the environment have not changed.

By economic classification the largest contribution to the increase in expenses was made by “other expenses”, the increase of which is associated with the 3.2 times growth of loans under the program of public investment compared to the same period of 2011. Significant growth of expenses is also associated with an increase in payroll costs, as well as for the procurement of goods and services.

In the reporting period, the net outflow of budget funds for the transactions of acquisition of non-financial assets (including transactions for the following groups: fixed assets, inventories, land) amounted to KGS 4.6 billion or 2.2 percent to GDP (in January-September 2011 – KGS 5.5 billion or 2.9 percent to GDP).

At the end of September 2012, the public debt amounted to KGS 152.2 billion (USD 3.2 billion²), of which domestic debt –KGS 12.7 billion, external debt –KGS 139.6 billion. Public debt in January-September 2012 increased by 6.4 percent or KGS 9.1 billion compared with that of the end of 2011. Interest payments on the public debt in January-September 2012 constituted KGS 2.3 billion (in January-September 2011 – KGS 2.3 billion), of which the share of payments on domestic and external debt amounted to 43.4 and 56.6 percent of the total interest payments, respectively. Compared to the same period of January-September 2011 the interest payments on the foreign debt decreased by 20.8 percent or KGS 344.0 million, and on domestic debt increased by 61.5 percent or KGS 382.2 million.

The financial sector

The banking system

As of the end of September in 2012³, on the territory of the Kyrgyz Republic there were 22 commercial banks, including the Bishkek Branch of the National Bank of Pakistan, and 269

¹In real terms (adjusted for CPI) increased by 26.6 percent.

²Data are calculated by the NBKR (as of 30/09/2012, 1 U.S. dollar = 47.15 KGS).

³Data are used according to regulatory reporting of commercial banks.

branches of commercial banks working (in the same period in 2011 22 commercial banks and 250 branches of commercial banks have been working).

As of the end of September 2012, the banking system in total received a net gain of KGS 1,823.0 million (in the same period in 2011 – KGS 1,417.6 million). Total assets of the banking system since the beginning of the year have increased by KGS 13.8 billion or 20.6 percent, having amounted to KGS 80.5 billion at the end of September 2012.

In January-September 2012, in the market of bank deposits there was an increase of the dynamics of growth of the deposit base of commercial banks. Indicators of interest rates on new deposits in national and foreign currencies have not changed significantly, in general, having remained at the level of the values of the comparable period last year. In the structural context, the change in the deposit base was caused by the increase in cash balances in the company's accounts, and the growth of demand deposits and term deposits.

At the end of the period under review, the amount of the deposit base of commercial banks amounted to KGS 50.8 billion, having increased since the beginning of the year by 31.4 percent. At the same time, the increase was achieved by growth in both foreign currency component of the deposit base (by 34.2 percent), and contributions in KGS (by 28.7 percent).

In the period under review, there was an increase in the inflow of deposits to commercial banks. The volume of new deposits¹ accepted in nine months of 2012 amounted to KGS 170.1 billion, having increased by 21.5 percent compared to the same indicator of 2011. The weighted average interest rate on new deposits in national currency constituted 2.3 percent, having risen in annual terms by 0.2 percentage points. The rate on new deposits in foreign currency decreased by 0.1 percentage points to 0.8 percent.

In January-September 2012, the situation in the market of bank lending was characterized by the preservation of the upward trend that began in 2011. There was an improvement in the quality of the loan portfolio of the banking system, indicators of past due debt and rescheduled loans decreased. The cost of loans remained relatively high: the average rate on new loans in the national currency was recorded at the level of 2011, while the rate decreased for loans in foreign currency. Volumes of trade lending made the main contribution to a portfolio of loans. The share of loans to agriculture in the loan portfolio of banks has increased including through the actions of the Government to finance the agricultural sector. As of the end of September, the share of loans under the “Affordable Loans to Farmers” project in the total bank loans issued in the current year for agriculture amounted to 20.2 percent (in the first half, the value of the comparable figure was 28.2 percent).

The volume of the loan portfolio of acting commercial banks at the end of September 2012 amounted to KGS 36.1 billion, having increased by 15.7 percent since the beginning of the year. At the same time, the KGS part of loan portfolio increased by 13.3 percent, having formed in the amount of KGS 15.8 billion. The volume of issued loans in foreign currency at the end of September constituted 20.3 billion in KGS equivalent exceeding the corresponding figure at the beginning of the year by 17.8 percent.

In January-September 2012, the weighted average interest rate on bank loans in local currency decreased by 0.6 percentage points to 21.8 percent and the foreign exchange rate decreased by 0.3 percentage points and totaled 17.5 percent.

At the end of the period under review, the loan portfolio of banks by industries divided as follows. Trade has remained the main sector of lending. The share of loans to trade, occupying a large portion of the loan portfolio, decreased by 2.1 percentage points (to 40.7 percent). The shares of the loans for other loans have also decreased from 12.9 to 11.8 percent, mortgage - from

¹Accounts of bank customers are not considered in the volume of new deposits.

9.6 to 9.4 percent, construction - from 5.6 to 5.4 percent and communications – from 0.2 to 0.1 percent. There was also an increase in shares of agricultural (by 1.2 p.p. to 13.9 percent) and consumer loans (by 0.9 p.p. to 9.7 percent), industrial (by 0.2 p.p. to 5.5 percent). Loans to transport, procurement and processing, as always, constituted a small proportion – a total of about 0.6 percent.

The volume of new loans issued in nine months of 2012 constituted KGS 26.9 billion, which is 15.5 percent higher than the amount issued in the same period of 2011. Loans in national currency increased by 7.4 percent and decreased by 23.6 percent in foreign currency.

The weighted average interest rate on new loans in the national currency in the first half of 2012 decreased by 0.6 percentage points compared to the same period in 2011 reaching 22.8 percent. In foreign exchange the rate also decreased by 0.5 percentage points to 19.1 percent.

Non-bank financial institutions licensed by the National Bank

At the end of September 2012, the number of non-bank financial institutions (NBFIs) of the Kyrgyz Republic was 833, including: the “Financial Company of the Credit Unions” OJSC (FCCU) – 1, credit unions (CUs) – 184, microcredit companies (MCCs) – 271, microcredit agencies (MCA) – 82, microfinance companies (MFCs) – 5 and exchange offices – 290 (the number of NBFIs was 898 at the same period in 2011).

NBFI's loan portfolio for January-September 2012 increased by 15.1 percent and totaled KGS 18,1 billion.

Table4. NBFI loan portfolio¹ (mln. KGS)

NBFI Name	31/12/2011	31/09/2012
FCCU	434.8	437.9
MFOs (MFCs, MCCs/MCAs) ²	14,498.6	16,799.9
Credit unions	1,231.7	1,299.7
TOTAL	15,730.4	18,099.6

¹ The data are presented excluding FCCUs (since FCCUs' loans are granted to credit unions.

² MCCs/MCAs provide reports on a semiannual basis.

The weighted average interest rate at the end of September 2012 on FCCU loans constituted 15.90 percent (as of 31.12.2011 – 15.79 percent), credit unions – 28.4 percent (as of 31.12.2011 – 28.4 percent) and IFC loans – 34.71 percent (as of 31.12.2011 – 37.41 percent).

The total amount of the deposit base in credit unions at the end of the reporting period amounted to KGS 43.9 million (as of 31.12.2011 – KGS 35.5 million), having increased by 23.7 percent since the beginning of the year.

The total amount of the deposit base of the IFC at the end of September 2012 constituted KGS 43.59 million (as of 31.12.2011 – KGS 5.1 million), having increased by 754.7 percent since the beginning of the year.