

Press release

The National Bank of the Kyrgyz Republic decided to raise the discount rate up to 7.00 percent annually.

Taking into account that inflationary pressures are amplified with the external and domestic factors, the Board of the National Bank has decided to raise the discount rate by 50 basis points from 6.50 to 7.00 percent annually from September 30, 2014.

The assumptions of medium-term economic trends outlined in the Monetary Policy Report (Inflation Report) on August have started to realize in recently released data. Particularly it refers to an influence on inflation of such factors as adverse climatic conditions in the country, the acceleration of growth in prices for gasoline and diesel in the domestic market, increasing of tariffs for housing and communal services.

The National bank of the Kyrgyz Republic expects that the observed slowdown in economic growth in our main trading partners will continue in the forthcoming period. This, in turn, will be reflected in a decline of external demand for domestic goods and in a slowdown of remittances growth. Also the expectations of capital outflows from emerging markets, in particular from our main trading partners, are maintained. In September the tendency has amplified, which is one of the reasons for increasing pressure on foreign exchange market. As a result, it creates additional inflationary risk.

The National bank will continue to monitor economic developments in order to achieve and maintain in the medium term perspective the inflation rate within the quantitative targets of monetary policy, which are defined in the Joint statement of the Government of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic on economic policy for 2014.

The next meeting of the Board of the National Bank of the Kyrgyz Republic, which will address the question of the level of the discount rate, is scheduled for October 27, 2014.