

Dynamics of monetary indicators in January-March 2015

In January-March 2015, the growth rate of the economy (according to the preliminary data of NSC) amounted to 7.0 percent (in January-March 2014 – 5.3 percent); excluding “Kumtor”, the real GDP increased by 3.4 percent.

In March 2015, the inflation rate amounted to 8.5 percent in annual terms (in March 2014 – 6.3 percent); the core inflation amounted to 6.8 percent (in March 2014 – 7.9 percent).

The official exchange rate of the US dollar to KGS since the beginning of 2015 increased by 8.5 percent and amounted to 63.8736 KGS per 1 US dollar (in January-March 2014 – by 10.6 percent).

The monetary base in January-March 2015 decreased by 12.5 percent, amounting to 56 435.9 million KGS (in January-March 2014 – by 7.9 percent); in addition, money in circulation decreased by 13.6 percent with a decrease in the reserves of other depository corporations by 3.3 percent.

The structure of the monetary base as of the end of March 2015 is as follows:

- the proportion of money in circulation amounted to 87.3 percent;
- the proportion of reserves of other deposit corporations amounted to 12.7 percent.

In the structure of reserves of other deposit corporations, obligatory reserves increased by 1.6 percent, amounting to 6 798.8 million KGS; excess reserves decreased by 50.0 percent up to 351.7 million KGS (in January-March 2014, obligatory reserves increased by 8.5 percent, while excess reserves – by 39.4 percent).

A decrease in the monetary base was due to operations carried out by the National Bank, which in January-March 2015 reduced the monetary base by 9.2 billion KGS. In contrast, the operations of the Government increased the monetary base by 1.2 billion KGS.

In January-March 2015, the monetary base was mainly influenced by the following operations of the National Bank of the Kyrgyz Republic:

- foreign exchange interventions reduced the monetary base by 9.8 billion KGS;
- credit auctions – a gross value of allocated funds for January-March amounted to 300.0 million KGS;
- purchase of gold in the domestic market – by 149.8 million KGS.

In January-March, the National Bank of the Kyrgyz Republic carried out sterilization operations (operations in the open market and “overnight” deposits): the average daily volume thereof amounted to 2.5 billion KGS.

Gross international reserves in January-March 2015 in dollar terms decreased by 208.5 million dollars, amounting to 1 876.3 million USD.

Net domestic assets (NDA) in January-March 2015 decreased by 4 128.5 million KGS. An increase of proprietary accounts by 1 894.0 million KGS and a decrease in other items by 2 052.6 million KGS contributed to the reduction of NDA. A decrease of the commitments before the Government by 159.7 million KGS due to the reduction in its deposits contributed to growth of NDA.

Alterations of monetary aggregates

Monetary aggregate M2, which consists of cash out of banks and deposits in the national currency¹, in January-March 2015, decreased by 11.9 percent, amounting to 72 585.9 million KGS (in January-March 2014 – by 8.0 percent).

Broad money supply M2X in January-March 2015 decreased by 3.8 percent, amounting to 119 752.4 million KGS, which is mainly due to the reduction of money out of banks by 13.3 percent up to 45 010.6 million KGS (in January-March 2014, M2X decreased by 1.9 percent).

Structure of M2X money supply is as follows:

- the share of cash out of banks - 37.6 percent (as of 01.04.2014 – 47.4 percent);

¹ Deposits for individuals and legal entities and other financial institutions excluding deposits to the Government and non-residents.

- the share of deposits in national currency - 23.0 percent (as of 01.04.2014 – 23.1 percent);
- the share of deposits in foreign currency - 39.4 percent (as of 01.04.2014 – 29.5 percent).

Deposits in foreign currency increased by 11.9 percent, amounting to 47 166.5 million KGS; excluding the impact of exchange rate – by 3.6 percent, deposits in national currency decreased by 9.5 percent down to 27 575.2 million KGS. As a result, the total volume of deposits in January-March 2015 increased by 2.9 percent, amounting to 74 741.7 million KGS (in January-March 2014, increased by 5.8 percent).

The level of dollarization of deposits included in M2X, as of the end of March 2015, amounted to 63.1 percent, having increased by 5.1 percentage points compared to the level at the beginning of the current year.

*Credit to the economy*² in January-March 2015 increased by 12.0 percent, amounting to 92 008.0 million KGS; excluding the impact of exchange rate, the increase amounted to 7.3 percent (in January-March 2014, credit to the economy increased by 12.4 and 6.5 percent, respectively).

In January-March 2015, net foreign assets of the banking system decreased by 8 690.1 million KGS (by 8.0 percent), amounting to 99 899.5 million KGS.

At the end of March 2015, net domestic assets (NDA) of the banking system amounted to 19 852.9 million KGS, having increased by 3 898.1 million KGS (by 24.4 percent).

The discount rate at the end of March 2015 was set at the level of 11.0 percent in accordance with the decision of the Board of the National Bank of the Kyrgyz Republic (unchanged compared to the level at the end of January 2015). Despite unchanged discount rate, the rate of the upper level of interest rate corridor on “overnight” credits was increased by 200 basis points from 12.00 to 14.00 percent due to observed pressure on the foreign exchange market. The rate of the lower level of interest rate corridor remained unchanged at the level of 5.00 percent.

At the end of March 2015, the yield of 7-day notes amounted to 11.00 percent.

The multiplier of broad money M2X, which characterizes the degree of financial intermediation, as of 01.04.2015, amounted to 2.122, multiplier M2 – 1.286 (as of 01.04.2014 – 1.761 and 1.241, respectively).

At the end of March, the coefficient of monetization of the economy, calculated by the monetary aggregate M2X amounted to 29.8 percent, by the monetary aggregate M2 - 20.4 percent (at the end of March 2014 – 31.5 and 23.5 percent, respectively).

Money velocity

Due to reduced volume of money supply in the economy on the background of observed economic growth, the money velocity increased by 0.1 as compared to the level as of the beginning of the current year and constituted 3.4 at the end of March (by M2X).

In January-March 2015, receipt of cash in the cash department of the National Bank amounted to 17 844.2 million KGS; in comparison with the same period of 2014, the amount decreased by 2 084.6 million KGS, or 10.5 percent; issuances decreased by 3 334.5 million KGS, or 24.9 percent, and amounted to 10 049.2 million KGS.

In January-March 2015, receipt of cash in the cash departments of commercial banks amounted to 217 664.2 million KGS; in comparison with the corresponding period of the previous year, the amount increased by 15 345.6 million KGS, or 7.6 percent; issuances increased by 13 257.5 million KGS, or 6.7 percent, and amounted to 210 899.4 million KGS.

In January-March 2015, the level of financial risks in the payment system was kept to a minimum. A turnover ratio at the end of March amounted to 0.39, a liquidity ratio – 2.54.

² Loans for individuals and legal entities and other financial institutions excluding loans to the Government and non-residents.