

Dynamics of monetary indicators in January-February 2015

In January-February 2015, the growth rate of the economy (according to the preliminary data of NSC) amounted to 9.5 percent (in January-February 2014 – 5.5 percent); excluding “Kumtor”, the real GDP increased by 3.8 percent.

In February 2015, the inflation rate amounted to 11.0 percent in annual terms (in February 2014 – 4.0 percent); the core inflation amounted to 8.4 percent (in February 2014 – 6.9 percent).

The official exchange rate of the US dollar to KGS since the beginning of 2015 increased by 4.1 percent and amounted to 61.2914 KGS per 1 US dollar (in January-February 2014 – by 6.5 percent).

The monetary base in January-February 2015 decreased by 10.2 percent, amounting to 57 872.0 million KGS (in January-February 2014 – by 6.5 percent); in addition, money in circulation decreased by 11.8 percent with an increase in the reserves of other depository corporations by 1.6 percent.

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

- the proportion of money in circulation amounted to 87.0 percent;
- the proportion of reserves of other deposit corporations amounted to 13.0 percent.

In the structure of reserves of other deposit corporations, obligatory reserves increased by 0.6 percent, amounting to 6 735.5 million KGS; excess reserves increased by 10.8 percent up to 780.0 million KGS (in January-February 2014, obligatory reserves increased by 7.0 percent, while excess reserves decreased by 14.2 percent).

A decrease in the monetary base was primarily due to operations carried out by the National Bank, which in January-February 2015 reduced the monetary base by 6.1 billion KGS. The operations of the Government decreased the monetary base by 0.5 billion KGS.

In January-February 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 6.5 billion KGS;
- "overnight" deposits – a gross value of allocated funds for January-February amounted to 47.2 billion KGS;
- "overnight" loans – a gross value of issued funds in January-February amounted to 6.7 billion KGS;
- purchase of gold in the domestic market - by 93.7 million KGS.

Gross international reserves in January-February 2015 in dollar terms decreased by 135.6 million dollars, amounting to 1 823.0 million USD.

Net domestic assets (NDA) in January-February 2015 decreased by 2 917.2 million KGS. An increase in the commitments before the Government contributed to the reduction of NDA by 1 857.2 million KGS due to the growth of its deposits, as well as a decrease in other items by 1 287.0 million KGS due to revaluation of gold-and-exchange holdings. A decrease in proprietary accounts by 192.2 million KGS and an increase of net requirements to banks (other depository corporations (ODC) by 36.1 million KGS contributed to the growth of NDA.

Alterations of monetary aggregates

Monetary aggregate M2, which consists of cash out of banks and deposits in the national currency, in January-February 2015, decreased by 6.2 percent, amounting to 74 748.6 million KGS (in January-February 2014 – by 7.8 percent).

Broad money supply M2X in January-February 2015 decreased by 4.5 percent, amounting to 118 990.4 million KGS, which is mainly due to the reduction of money out of banks by 10.9 percent up to 46 225.1 million KGS (in January-February 2014, M2X decreased by 2.8 percent).

Structure of M2X money supply is as follows:

- the share of cash out of banks - 38.8 percent (as of 01.03.2014 - 47.3 percent);
- the share of deposits in national currency - 24.0 percent (as of 01.03.2014 - 24.1 percent);
- the share of deposits in foreign currency - 37.2 percent (as of 01.03.2014 - 28.6 percent).

Deposits in foreign currency increased by 4.9 percent, amounting to 44 241.8 million KGS; excluding the impact of exchange rate – by 1.4 percent, deposits in national currency increased by 6.4 percent up to 28 523.5 million KGS. As a result, the total volume of deposits in February 2015 increased by 0.2 percent, amounting to 72 765.3 million KGS (in January-February 2014, increased by 5.0 percent).

The level of dollarization of deposits included in M2X, as of the end of February 2015, amounted to 60.8 percent, having increased by 2.8 percentage points compared to the level at the beginning of the current year.

Credit to the economy in January-February 2015 increased by 0.6 percent, amounting to 82 605.6 million KGS; excluding the impact of exchange rate, the decline amounted to 1.7 percent (in January-February 2014, credit to the economy increased by 6.5 and 3.1 percent, respectively).

In January-February 2015, net foreign assets of the banking system decreased by 3 584.1 million KGS (by 3.3 percent), amounting to 105 005.4 million KGS.

At the end of February 2015, net domestic assets (NDA) of the banking system amounted to 13 985.0 million KGS, having decreased by 1 969.8 million KGS (by 12.3 percent).

The discount rate at the end of February 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).

At the end of February 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 01.03.2015, amounted to 2.056, multiplier M2 – 1.292 (as of 01.03.2014 - 1.761 and 1.257, respectively).

At the end of February, the coefficient of monetization of the economy, calculated by the monetary aggregate M2X amounted to 30.1 percent, by the monetary aggregate M2 - 20.8 percent (at the end of February 2014 - 31.4 and 23.5 percent, respectively).

Money velocity

The money velocity at the end of February 2015 amounted to 3.3 (by M2X).

In January-February 2015, receipt of cash in the cash department of the National Bank amounted to 12 257.5 million KGS; in comparison with the same period of 2014, the amount increased by 1 910.9 million KGS, or 86.5 percent; issuances decreased by 1 966.7 million KGS, or 26.2 percent, and amounted to 5 533.7 million KGS.

In January-February 2015, receipt of cash in the cash departments of commercial banks amounted to 134 123.7 million KGS; in comparison with the corresponding period of the previous year, the amount increased by 4 092.0 million KGS, or 3.3 percent; issuances increased by 5 574.2 million KGS, or 4.5 percent, and amounted to 129 828.9 million KGS.

In January-February 2015, the level of financial risks in the payment system was kept to a minimum. A turnover ratio at the end of February amounted to 0.33, a liquidity ratio - 3.03.