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## Press Release

### **National Bank of the Kyrgyz Republic keeps its policy rate unchanged at 4.75 percent**

On December 24, 2018, the Board of the National Bank of the Kyrgyz Republic decided to keep the policy rate unchanged at 4.75 percent. The decision becomes effective as of December 25, 2018.

Currently, inflation risks are balanced and consistent with the expectations of the National Bank. Taking into account the updated data, the assessment of inflation following the results of the year were further revised downwards: the inflation in December 2018/December 2017 will be at 1.0 percent. In the second half of 2019, the inflation will be within the medium-term monetary policy target of 5-7 percent in the absence of external and internal shocks.

There is low inflation rate in the Kyrgyz Republic since March of the current year. Low prices for food products remain the main factor in the current dynamics of inflation. Growth in prices for non-food products demonstrates gradual slowdown. In December, the annual inflation rate (as of December 14) made up 0.3 percent.

Domestic demand is provided by the stable increase in real wages and the positive dynamics in inflow of remittances. Economic activity in the main sectors of the economy remains stable. In January-November 2018, economic growth was 3.1 percent, excluding the data on the “Kumtor”<sup>1</sup> – 3.2 percent.

The economic situation in the main trading partners related to the geopolitical uncertainty and prospects in the global commodity markets will have a significant effect on the economic development of the Kyrgyz Republic in the medium term.

The short-term interest rates of the money market are still within the interest rate corridor set by the National Bank, and are moving towards the policy rate. In December, an increase of excess liquidity in the banking system conditioned decreased activity in the interbank credit market. Therefore, the National Bank continued conducting operations on withdrawal of excess liquidity. The fiscal consolidation had a positive effect on the liquidity level in the banking sector and does not pose inflation risks. Maintaining easy monetary conditions supported expansion of loan portfolio and an increase in deposit base of the commercial banks.

Generally, the domestic foreign exchange market remains stable. In December, the domestic foreign exchange market demonstrated a more significant excess of demand for foreign

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<sup>1</sup> The real GDP value without Kumtor enterprises is more indicative for the monetary policy purposes.

currency over its supply. This situation resulted from interventions on sale of foreign currency conducted by the National Bank.

Moderate dynamics in aggregate domestic demand, as well as prospects for the external environment development, will allow expecting an inflation rate in the Kyrgyz Republic in the medium-term within the monetary policy target of 5-7 percent in the absence of shocks. Therefore, it has been decided to keep the policy rate unchanged. If external risks occur, the National Bank does not exclude the possibility of making adjustments in the current monetary policy.

The National Bank on a regular basis assesses external and internal factors influencing inflation and depending on the economic situation will take relevant monetary policy measures.

*Briefing:*

The next meeting of the Board of the National Bank of the Kyrgyz Republic on the monetary policy is scheduled for February 25, 2019.