

Dynamics of monetary indicators in January-September 2015

In January-September 2015, the growth rate of the economy (according to the preliminary data of NSC) amounted to 5.3 percent (in January-September 2014 – 5.0 percent); excluding “Kumtor”, the real GDP increased by 3.7 percent (in January-September 2014 – 4.6 percent).

In January-September 2015, the inflation rate amounted to 1.1 percent, meanwhile, in September 2015, the inflation rate made 6.4 percent in annual terms (in January-September 2014, the inflation rate was 5.0 percent, in annual terms – 7.4 percent). In January-September 2015, the core inflation, according to IMF methods¹, amounted to 5.4 percent, in annual terms – 7.9 percent (in January-September 2014 – 5.3 percent, in annual terms – 7.9 percent).

The official exchange rate of the US dollar to KGS since the beginning of 2015 increased by 16.9 percent and amounted to 68.8359 KGS per 1 US dollar (in January-September 2014 – by 10.7 percent).

The monetary base in January-September 2015 increased by 3.2 percent, amounting to KGS 66 558.8 million (in January-September 2014, decreased by 4.9 percent); in addition, money in circulation increased by 2.4 percent with an increase in the reserves of other depository corporations (ODC) by 9.9 percent.

Growth rates of other depository corporations reserves outstripping increase of money in circulation conditioned increase in the share of other depository corporations reserves, consequently, the structure of the monetary base as of the end of September 2015 is as follows:

- the proportion of money in circulation amounted to 87.8 percent;
- the proportion of reserves of other deposit corporations amounted to 12.2 percent.

In the structure of reserves of other deposit corporations, obligatory reserves increased by 8.8 percent, amounting to KGS 7 281.0 million; excess reserves (after sterilization) increased by 20.3 percent up to KGS 847.2 million (in January-September 2014, obligatory reserves increased by 11.1 percent, while excess reserves increased by 31.4 percent).

A decrease in the monetary base was due to operations carried out by the Government, which since the beginning of the year increased the monetary base by KGS 10.2 billion. The operations of the National Bank, on the contrary, decreased the monetary base by KGS 8.1 billion.

In January-September 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 KGS 10.8 billion;
- credit auctions – a gross value of issued funds in January-September amounted to KGS 1.5 billion;
- purchase of gold in the domestic market - by KGS 0.4 billion.

In January-September, the NBKR conducted sterilization operations (operations in the open market and “overnight” deposits): average daily volume thereof amounted to KGS 2.3 billion.

Net domestic assets (NDA) in January-September 2015 increased by 7.2 percent (or by KGS 7 570.6 million), primarily due to growth of net international reserves (NIR) by KGS 7 474.2 million. The main factor of growth in NIS was cash inflow from development of gold ore fields, as well as credits and grants for state budget support.

In January-September 2015, gross international reserves in dollar terms decreased by USD 161.0 million and amounted to USD 1 797.6 million.

Net domestic assets (NDA) in January-September 2015 decreased by 7.2 percent or by KGS 5 483.7 million (in the same period of the last year – by 33.6 percent). A decrease of NDA was mainly caused by decrease in other items by KGS 4 371.3 million, increase of obligations to other financial institutions related to operations of the Russian-Kyrgyz Development Fund (RKDF) in the amount of KGS 2 224.4 million and increase in capital accounts by KGS 742.4 million, due to revaluation of assets in foreign currency and gold as a result of foreign exchange rates and price for precious metal. Growth of NDA was provided by decrease of obligations on the accounts of the Kyrgyz Republic Government by KGS 2 379.5 million.

¹ Food products, electric energy, gas and other types of fuel are completely excluded from total inflation rate.

Alterations of monetary aggregates

Monetary aggregate M2, which consists of cash out of banks and deposits in the national currency², in January-September 2015, decreased by 1.5 percent, amounting to KGS 81 119.5 million (in January-September 2014 – by 5.4 percent).

Broad money supply M2X in January-September 2015 increased by 0.9 percent, amounting to KGS 135 694,9 million, which is mainly due to growth in the reserves of other depository corporations by 12.7 percent up to KGS 81 859.7 million (in January-September 2014, M2X increased by 2.1 percent).

The structure of M2X money supply is as follows:

- the share of cash out of banks - 39.67 percent (as of 01.10.2014 - 46.9 percent);
- the share of deposits in national currency - 20.1 percent (as of 01.10.2014 - 22.8 percent);
- the share of deposits in foreign currency - 40.2 percent (as of 01.10.2014 - 30.2 percent).

Deposits in foreign currency increased by 29.5 percent, amounting to KGS 54 575.4 million; excluding the impact of exchange rate – by 11.5 percent, deposits in national currency decreased by 10.5 percent down to KGS 27 284.3 million. As a result, the total volume of deposits in January-September 2015 increased by 12.7 percent, amounting to KGS 81 859.7 million (in January-September 2014, increased by 11.0 percent).

The level of dollarization of deposits included in M2X, as of the end of September 2015, amounted to 66.7 percent, having increased by 8.7 percentage points compared to the level at the beginning of the current year.

*Credit to the economy*³ in January-September 2015 increased by 16.4 percent, amounting to KGS 95 589.7 million; excluding the impact of exchange rate, the increase amounted to 7.2 percent (in January-September 2014, credit to the economy increased by 31.6 and 24.9 percent, respectively).

In January-September 2015, net foreign assets of the banking system increased by KGS 8 146.2 million (by 7.5 percent), amounting to KGS 116 735.8 million (in the same period of the last year – by 1.3 percent).

At the end of September 2015, net domestic assets (NDA) of the banking system amounted to KGS 18 959.1 million, having increased by KGS 3 004.3 million or by 18.8 percent (in the same period of the last year – by 7.1 percent).

The discount rate at the end of September 2015 was set at the level of 10.00 percent in accordance with the decision of the Board of the National Bank of the Kyrgyz Republic (+200 basis points as compared to the level at the end of August 2015). In this respect, the rates of the upper and lower levels of interest rate corridor on “overnight” credits and deposits was set at the level of 12.00 and 4.00 percent, respectively (+100 and +200 basis points).

At the end of September 2015, the yield of 7-day notes amounted to 9.67 percent. In September, average weighted interest rate on REPO operations in the inter-bank credit market was below policy rate and amounted to 6.48 percent.

The multiplier of broad money M2X, which characterizes the degree of financial intermediation, as of 01.10.2015, amounted to 2.039, multiplier M2 – 1.219 (as of 01.10.2014 - 1.773 and 1.237, respectively).

At the end of September, the coefficient of monetization of the economy, calculated by the monetary aggregate M2X amounted to 29.38 percent, by the monetary aggregate M2 - 18.6 percent (at the end of September 2014 - 31.82 and 23.1 percent, respectively).

² Deposits of individuals and legal entities, and other financial-credit institutions except for deposits of the Government and non-residents.

³ Loans to individuals and legal entities, and other financial-credit institutions except for loans to the Government and non-residents.

Velocity of money circulation

Growth of nominal GDP outstripping increase of monetary base in the economy conditioned increase in velocity of money circulation as compared to the level at the beginning of the current year by 0.14 and amounted 3.4 at the end of September (by M2X).

Within January-September of 2015, receipt of cash in the cash departments of the National Bank amounted to KGS 43 387.8 million, in comparison with the corresponding period of 2014, the amount decreased by KGS 11 066.1 million, or 20.3 percent, issuances decreased by KGS 5 289.4 million, or 10.6 percent, and amounted to KGS 44 737.5 million.

In January-September of 2015, receipt of cash in the cash departments of commercial banks amounted to KGS 743 283.4 million; in comparison with the corresponding period of the previous year, the amount increased by KGS 21 319.2 million, or 2.9 percent, issuances increased by KGS 25 999.2 million, or 3.6 percent, and amounted to KGS 746 846.6 million.

In January-September of 2015, the level of financial risks in the payment system was kept to a minimum. A turnover ratio at the end of September amounted to 0.34, a liquidity ratio – 2.98.