

Press Release
**The National Bank of the Kyrgyz Republic keeps
its policy rate unchanged at 5 percent**

On March 26, 2018, the Board of the National Bank of the Kyrgyz Republic decided to keep the policy rate unchanged at 5.0 percent. The decision becomes effective as of March 27, 2018.

The actual inflation in the Kyrgyz Republic remains at a moderate level in line with the expectations of the National Bank. In March 2018 (as of March 16), the annual inflation slowed down to 2.9 percent from 3.5 percent in February. Due to favorable situation in the international commodity markets food prices decreased. A positive contribution to non-food inflation was ensured by growing prices for coal and fuels and lubricants. Current trends of factors of inflation predetermine its dynamics in the upcoming period within the range of monetary policy target of 5-7 percent in the medium-term.

The positive economic growth in the Kyrgyz Republic is supported by increase of demand due to the steady dynamics in the inflows of remittances and an increase of real wages. The main sectors of economy show the output growth. In January-February 2018, real GDP growth was 2.7 percent, excluding the data of the “Kumtor” gold-mining enterprises¹ – 3.3 percent.

The domestic foreign exchange market remains stable. From the beginning of 2018 (as of March 26), Som has appreciated by 1.0 percent. In March, 2018 the National Bank did not participate in the domestic foreign exchange market.

The monetary sector is characterized by trends outlined from the beginning of 2018. Money market rates continue to fluctuate within the interest rate corridor set by the National Bank. In the interbank credit market the activity is being observed. The banking sector has a sufficient level of liquidity in the national currency. Previously taken monetary policy measures has an impact on decrease of market rates on loans and expansion of lending of economy.

Estimated price dynamics in the international commodity markets and growing aggregate demand, in the absence of additional external and internal inflationary shocks, in 2018 can bring to inflationary dynamics at the target level, which does not exceed the range of 5-7 percent. Under these conditions, this level of the policy rate will allow supporting the measures to stimulate the real sector of the economy.

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 rate is scheduled for May 28, 2018.

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