

Press Release
**National Bank of the Kyrgyz Republic keeps
its policy rate unchanged at 5.0 percent**

On August 28, 2017, 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 August 29, 2017.

Actual inflation continues to be within the values expected by the National Bank, which tends to the lower boundary of the target range of 5-7 percent in the medium term. Annual inflation (as of August 18, 2017) made up 3.9 percent. The observed growth of domestic and external demand is the main factor of inflation.

The economic activity indicators of the Kyrgyz Republic continue to be in the positive phase. In January-July 2017, the economic growth was 6.9 percent. Excluding the data of the “Kumtor”¹ gold-mining enterprises real GDP growth made 3.6 percent. The positive economic growth rates are mainly influenced by improved situation in the main trading partner countries and by an increase in the inflow of remittances. The main sectors of economy show the output growth. One of the factors of production capacity improvement is an increase in lending the real sector of economy and, in general, lowering trend in interest rates on loans. The net inflow of remittances increased by 28.8 percent² in January-July 2017.

The domestic foreign exchange market remains stable. From the beginning of 2017 (as of August 25) the national currency has appreciated by 0.9 percent. In August 2017, the National Bank did not participate in the domestic foreign exchange market.

The interest rate policy of the National Bank aimed at supporting measures to stimulate the economy conditioned the maintaining money market rates within the range of interest rate corridor set by the National Bank and, as a result, causing a drop in the interest rates on loans for the end borrowers. In general, the banking system of the country continues to maintain a sufficient level of free liquidity in the national currency.

According to the current forecasts of the National Bank, in the forthcoming period inflation will be within the medium-term target range of 5-7 percent taking into account the growth trend of domestic and external demand as well as the prerequisites for domestic production of agricultural products and the dynamics of world food prices. Under these conditions and given the absence of external and internal inflationary risks, the decision to keep the National Bank’s policy rate at the current level will support the measures to stimulate the economy.

The National Bank on a regular basis assesses external and internal factors influencing inflation and will continue to take relevant and timely 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 September 25, 2017.

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

² Preliminary data.