

Press-release
**The National Bank of the Kyrgyz Republic keeps
its policy rate unchanged at 6 percent**

On September 26, 2016, the Board of the National Bank of the Kyrgyz Republic decided to keep the monetary policy rate unchanged at 6.00 percent. The decision becomes effective as of September 27, 2016.

In the current period in the Kyrgyz Republic deflationary processes are recorded. Overall price level in annual terms has decreased by 0.4 percent (as of September 16). This decrease was due to previously taken monetary policy decisions and supply factors of food production at the foreign markets (favorable situation in the grain markets of Kazakhstan and Russia and the world's major food markets) as well as at the domestic markets (growth of production in agriculture). Decrease in domestic consumption still constraints consumer prices in the country.

Economic activity in the country shows recovery. In January-August 2016, real GDP increased by 0.4 percent, compared to decrease by 1.2 percent in January-July 2016. Significant drop in the manufacturing industry, mainly due to decline in production of the “Kumtor” gold-mining enterprises, and weak demand for domestic products still restrain economic growth. Excluding “Kumtor”, the economy grew by 2.1 percent. For the monetary policy formulation and analysis, the indicator of real GDP growth without “Kumtor” is more relevant.

The exchange rate policy of the National Bank aimed at smoothing sharp exchange rate fluctuations. Since the beginning of the year (as of September 23) the Kyrgyz Som appreciated by 9.4 percent. At the domestic foreign exchange market the situation is stable.

According to the forecasts of the National Bank, in the next few months a low inflationary environment remains. Under a low inflationary risks environment and in order to retain economic recovery, maintaining the current policy rate unchanged will allow neutralizing deflation. Thus, annual inflation rate will return to the target in the forecasting horizon.

National Bank continues to assess external and internal factors influencing inflation and conducts relevant monetary policy aimed at keeping inflation rate within the 5-7 percent band in the medium term, as determined in the Main monetary policy guidelines.

Information note:

The next meeting of the Board of the National Bank of the Kyrgyz Republic on the monetary policy rate is scheduled for November 28, 2016.