

## **The National Bank of the Kyrgyz Republic decided to raise the policy rate to 10.50 percent**

In view of strengthening of pressure on the exchange rate and acceleration of the inflationary processes caused by both external and internal factors, the National Bank of the Kyrgyz Republic has decided to increase the size of the policy rate by 50 basis points to 10.50 percent per annum.

Inflationary background formed by both external and internal factors remains high. To keep inflation within the stated benchmarks, during 2014 the National Bank on a regular basis has made decisions about the size of the policy rate and also used other monetary policy measures. According to the preliminary data, as of mid-December, the inflation accumulated since the beginning of the year is 10.3 percent, as a result average annual inflation rate for 2014 is 7.5 percent.

Statistical data for November 2014 show that economic growth rate in the Kyrgyz Republic continues to slow down, the same trend is observed in the countries – main trading partners of the Kyrgyz Republic. According to the preliminary data, in January-November, 2014 real GDP growth was 3.5 percent (excluding Kumtor, real GDP growth was 4.3 percent). A decline in the volume of foreign trade operations is observed. Along with this, remittances inflow has slowed down, yet their volume continues to increase. Considerable uncertainty in development of external environment remains. These factors are one of the reasons for increasing of the pressure on the domestic market of our country and, respectively, on a rate of inflation.

The National Bank of the Kyrgyz Republic will continue to monitor the situation in the economy and consistent with the statutory mandate will take appropriate monetary policy measures aimed at keeping the level of inflation in the range of 5-7 percent in the medium term, determined by the Main directions of monetary policy of the National Bank for the medium term.

The next meeting of the Board of the National Bank of the Kyrgyz Republic, which will address the size of the policy rate, is scheduled for January 26, 2015.