

Dynamics of Monetary Indicators in January-November 2016

Interbank Credit Market

Since the beginning of 2016, the activity in the interbank credit market remained low: in January-November 2016, the volume of the operations decreased by 81.1 percent compared to the same period of the previous month and amounted to KGS 6.1 billion. The weighted average interest rate on the operations in the interbank credit market made 5.12 percent.

In particular, the interest rates on repo operations decreased in the interbank credit market. In November 2016, the weighted average interest rate on repo operations made 1.40 percent, meanwhile in January, this rate made 9.96 percent. In November, the total volume of repo operations made KGS 105.8 million.

Changes in Monetary Base

At the end of November, the monetary base increased by 18.0 percent since the beginning of the year and amounted to KGS 79.1 billion, the annual growth of the monetary base made 24.1 percent. The share of money in circulation was the largest in the structure of monetary base and made 88.0 percent, the reserves of other deposit corporations made 12.0 percent.

In January-November, the average daily volume of the excess liquidity in the banking system before operations on sterilization carried out by the National Bank amounted to KGS 11.2 billion (after sterilization – KGS 1.3 billion). At the end of November, the level of excess liquidity before sterilization amounted to KGS 15.0 billion (after sterilization – KGS 2.2 billion). Taking into account the high excess liquidity in the banking system, in January-November 2016, the National Bank carried out the operations on excess liquidity withdrawal through the auctions on sales of the National Bank's notes and "overnight" deposits. In January-November 2016, the average daily volume of the operations on sterilization amounted to KGS 9.9 billion (in the same period of 2015 – KGS 2.5 billion).

In January-November 2016, the total volume of the National bank's notes sales amounted to KGS 99.0 billion, having increased almost 1.7 times compared to the same period of the previous year (in January-November 2015 – KGS 59.4 billion). The average weighted yield of the 7-day notes had the downward trend and amounted to 0.24 percent at the end of November due to increased demand for this instrument. The volumes of the funds placed by the commercial banks with the National Bank to "overnight" deposits amounted to KGS 1,747.5 billion (in the same period of 2015, the commercial banks placed KGS 281.9 billion).

Since the beginning of the year, the National Bank conducted operations on the long-term liquidity provision in order to support positive economic growth and expand lending to the real sector of economy, meanwhile operations were primarily conducted in the 1st quarter.

- within the frameworks of the program on mortgage loans conversion from the foreign currency into the national currency, the commercial banks were provided with the loans in the amount of KGS 1.9 billion;
- for purposes of further financing of agriculture and processing in the regions of the country KGS 1.4 billion was provided to the commercial banks within the credit auctions.
- the volume of the loans to the international organizations created by the Kyrgyz Republic jointly with other states as a part of the Eurasian Economic Union amounted to 634.3 million.

The National Bank's operations decreased the monetary base by KGS 3.0 billion; the Kyrgyz Republic Government's operations increased it by KGS 15.1 billion.

In the domestic foreign exchange market the interventions were conducted in order to smooth sharp fluctuations of the exchange rate. In January-November 2016, the National Bank acted primarily as a net buyer, the volume of the foreign currency net purchase over the period amounted to USD 30.9 million. Generally, KGS liquidity increased by KGS 1.7 billion due to the operations in the interbank foreign exchange market. KGS/USD exchange rate strengthened by 8.9 percent since the beginning of the year.

At the end of November, the volume of the gross international reserves of the National Bank amounted to USD 1.9 billion (an increase made 7.8 percent since the beginning of the year).

Changes in Monetary Aggregates¹

Monetary aggregate M2, which includes cash outside banks and deposits in the national currency, increased by 29.7 percent since the beginning of the year and amounted to KGS 106.7 billion (in the same period of 2015, a decrease made 7.2 percent).

As of the end of November 2016, broad money amounted to KGS 157.4 billion (having increased by 9.9 percent since the beginning of the year). Broad money increased by 12.6 percent on a year-on-year basis, excluding the exchange rate change – by 18.9 percent.

Monetary aggregates M2 and M2X increased primarily due to growth in the volume of cash outside banks (+20.0 percent). In the volume of broad money, deposits of other deposit corporations² (hereinafter - ODC) increased by 4.0 percent since the beginning of the year primarily due to the growth in the volume of deposits in the national currency by 47.2 percent, meanwhile, the deposits in foreign currency continued decreasing (-16.7 percent). At the end of November, the volume of ODC's deposits amounted to KGS 93.6 billion.

At the end of November, the total volume of the loans to the economy³ amounted to KGS 94.3 billion. The loans to the economy decreased (by 2.2 percent) since the beginning of the year due to the reduction of the loans in foreign currency (-21.3 percent), meanwhile the loans in the national currency increased (+20.0 percent). Without regard to the exchange rate changes the volume of loans to the economy increased by 3.8 percent since the beginning of the year.

The measures taken by the National Bank and the Kyrgyz Republic Government on the economy dedollarization contributed to the decrease of the economy dedollarization as a whole. Dollarization of the loans to the economy amounted to 43.1 percent and dollarization of the ODC's deposits amounted to 54.2 percent.

Broad money multiplier M2X⁴ made 1.988; multiplier M2 – 1.348.

Cash Turnover

In January-November 2016, receipt of cash in the cash departments of the National Bank amounted to KGS 55.2 billion; in comparison with the corresponding period of 2015, the amount decreased by KGS 1.9 billion or 3.3 percent. Money issuances increased by KGS 11.7 billion or 21.3 percent and amounted to KGS 66.5 billion.

In January-November 2016, receipt of cash in the cash departments of the commercial banks amounted to KGS 1,059.5 billion; in comparison with the corresponding period of 2015, the amount increased by KGS 123.9 billion or 13.2 percent. Money issuances increased by KGS 138.2 billion or 14.8 percent and amounted to KGS 1,074.1 billion.

Payment System

In the reporting period, the increase of the average daily turnovers (by 7.4 percent) in the gross settlement system amid reduced balance liquidity at the end of the transaction day (by 2.3 percent) resulted in the following change of the relative indicators. In November 2016, the turnover ratio in the system amounted to 1.74. The liquidity ratio was minimum and amounted to 0.58. Meanwhile, the level of financial risks in the system was kept to a minimum.

¹ Preliminary data of the banking system.

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

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

⁴ This figure characterizes the degree of the financial intermediation.