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Press Release

National Bank of the Kyrgyz Republic keeps its policy rate unchanged at 6.5 percent

On May 31, 2021, the Board of the National Bank of the Kyrgyz Republic decided to keep the policy rate (key rate) unchanged at 6.5 percent. The decision becomes effective as of June 1, 2021.

There is a global economic recovery in the trading partner countries of the Kyrgyz Republic, which will gradually resume trade and logistics routes and enhance the foreign economic activity of the Kyrgyz Republic. However, the slow vaccination globally and in the regions amid rising number of new cases of the COVID-19 disease are limiting the full-scale economic recovery.

The economy of the Kyrgyz Republic is demonstrating the first positive signals amid gradual economic recovery: in January-April 2021, real GDP growth, excluding the data of the “Kumtor” gold-mining enterprises, was 1.1 percent. Domestic consumption remains relatively moderate and is supported by the inflow of remittances into the country. In January-March 2021, the net inflow of individuals’ remittances increased by 22.4 percent and amounted to USD 420.0 million.

An increase in prices for consumer goods and services, mainly for food products (sunflower oil, meat and sugar), fuels and lubricants, is still observed. In May 2021 (as of May 21), the annual inflation rate was 10.7 percent. An increase in prices for food products in the global markets and in the EAEU countries is the main reason for existing inflationary risks in the country.

The National Bank has taken measures to restrain the monetary component of inflation in order to limit inflationary pressure in the country. Active measures taken to manage liquidity contributed to reducing the amount of excess liquidity in the banking system. Such situation enhanced the participants’ activity in the interbank credit market in the short segment. In general, short-term money market rates tend to approach the key rate and are still fluctuating within the interest rate corridor set by the National Bank. The commercial banks continue to build up their resource base and expand lending to the economy.

The situation in the domestic foreign exchange market is relatively stable. The National Bank conducts foreign exchange interventions to prevent sharp fluctuations of the exchange rate.

The spread of the COVID-19 new strains and the slower rate of the population’s vaccination in the world still pose risks to the economic recovery globally and in the regions. The upward trend in the world prices for certain food products is expected to continue until the

end of 2021. A faster economic recovery in the trading partner countries will result in resumption of the trade and economic relations of the Kyrgyz Republic and an increase in business activity within the country.

Taking into account prerequisites for development of the external environment and internal economic conditions, the National Bank decided to keep its policy rate unchanged at 6.50 percent. In case of any risks, the National Bank does not rule out the possibility of making additional adjustments to the current monetary policy.

The National Bank will continue to regular assess the external and internal factors influencing inflation and, depending on the economic situation, will make relevant monetary policy adjustments

Briefing:

The next meeting of the Board of the National Bank of the Kyrgyz Republic on monetary policy rate is scheduled for July 26, 2021.

Chart 1. Overall inflation in the Kyrgyz Republic
(%, month to the corresponding month of the previous year)

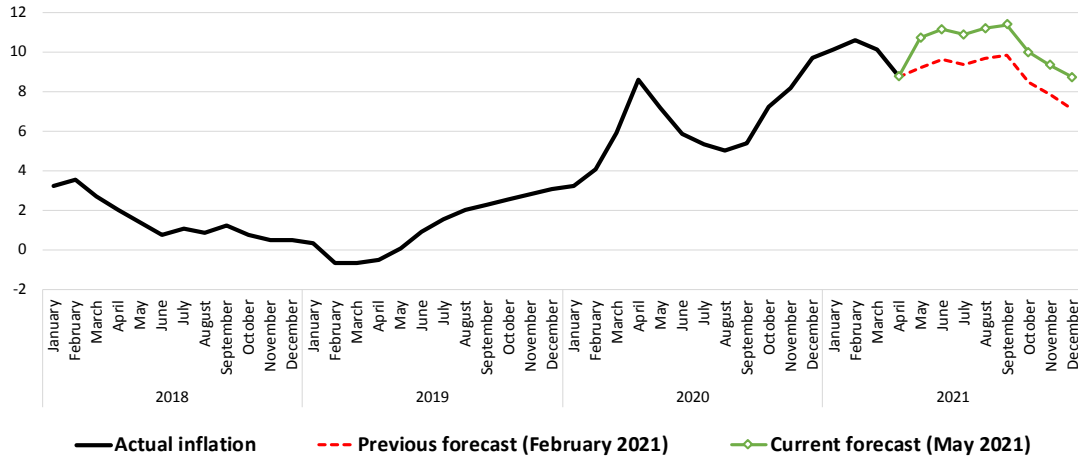


Chart 2. Inflation in the Kyrgyz Republic in regions
(%, month to the corresponding month of the previous year)

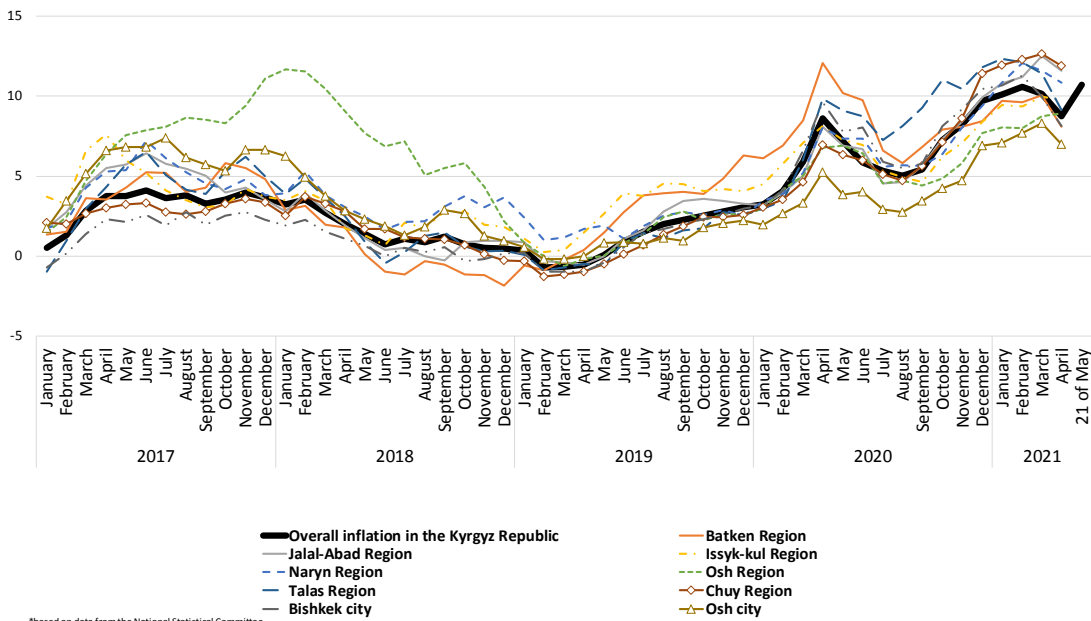


Chart 3. Policy rate of the National Bank of the Kyrgyz Republic
(percent)

