

Press release

on the value of the discount rate of the National Bank of the Kyrgyz Republic

The Board of the National Bank of the Kyrgyz Republic has been examining the report on monetary policy for 2013 and the medium-term outlook since February 25, 2014. Economic management presented a report which was recorded information on macroeconomic indicators of the country, the outcome of the monetary policy, inflation processes, as well as evaluation of the economic development in the medium term.

The report highlighted that during the 2013 inflation was within single indicators and corresponded the landmark that has been identified by the main trends of monetary policy 2013-2017. By the end of the year, the growth rate of the consumer price index in annual terms fell to 4.0 percent. GDP growth in real terms was 10.5 percent. Excluding enterprises on the exploration of the field “Kumtor”, the GDP level grew by 5.8 percent.

According to preliminary data, the balance of payments of the Kyrgyz Republic for 2013 formed with a surplus of U.S. dollar 143.8 million. Net inflow of transfers increased by 8.6 percent and amounted to U.S. dollar 2 171.1 million. During the year, the domestic foreign exchange market was balanced. Exchange rate of the U.S. dollar relative to the Kyrgyz som for the year increased by 3.9 percent.

Money supply in the economy has been mainly due to the public finance sector. The National Bank conducted mainly sterilized intervention. The main tool to withdraw excess liquidity in the banking system was the National Bank notes. The monetary base for the year increased by 13.4 percent or 8.6 billion soms, reaching 73.1 billion soms at the end of December 2013.

During the discussion, the Board members noted the positive macroeconomic indicators of the results of 2013. Price situation was stable and facilitated the recovery of economic growth, signs of fiscal consolidation were observed, positive balance of payments was maintained. At the same time members of the Board noted that the quality of economic growth raised main concerns, as it was driven mainly by reduction of the volume of production at Kumtor. Also of concern is the trade balance deficit which rose by 14.7 percent to U.S. dollar 3.1 billion. Imports compared to exports grew at a faster pace. With an increase in the nominal volume of inflow of transfers, their rate of growth reduces, which is due, in particular, to the economic slowdown in some countries- major trading partners. Board members also discussed the current situation in the currency market.

Economic management presented the forecasts of the main macroeconomic indicators in the medium term. Board members unanimously decided to establish a discount rate of 6.0 percent under the new framework for monetary policy, which aims to strengthen the interest rate channel of the transmission mechanism. According to members of the Board, a value of the discount rate will allow to maintain the inflation rates at the ballpark figure