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Press Release

National Bank of the Kyrgyz Republic keeps its policy rate unchanged at 5.0 percent

On August 24, 2020, the Board of the National Bank of the Kyrgyz Republic decided to keep the policy rate (key rate) unchanged at 5.0 percent. The decision becomes effective as of August 25, 2020.

External economic conditions and consequences of taken measures to counter the spread of coronavirus infection still have an influence on economic development of the Kyrgyz Republic. Despite gradual global economic recovery, situation in the external sector remains uncertain. Economic rehabilitation to pre-crisis level is expected to take more time compared to the previous forecasts.

Pandemic spread and its negative consequences caused sharp decline in economic activity in the Kyrgyz Republic in almost all sectors of the economy, except for the agricultural sector and the “Kumtor” gold-mining enterprises. The economic real sector indicators of the Kyrgyz Republic are still in the negative zone, having reached their lowest values over the last few years. The inflow of remittances to the country remains below the values of the last year, causing more restrained domestic consumption.

Inflationary dynamics continues downward trend amid intensified disinflationary factors. In August (as of August 14) of 2020, the annual inflation rate decreased down to 4.9 percent after reaching its highest value in April of the current year. Weak domestic demand along with a saturation of the market with seasonal goods and relative stabilization of the national currency contributed to the downward trend of the inflation rate.

Monetary environment remains stable. Higher activity of the money market resulted in an increase in the short-term interest rates. The short-term money market segment demonstrates an increase in the rates amid rise in the market participants’ activity, meanwhile the rates fluctuations were near the key rate within the interest rate corridor set by the National Bank.

The banking system maintains a high level of excess liquidity mainly due to the expenditure operations formed through the budget channel. The National Bank continues conducting the sterilization operations, primarily in the short segment of the money market.

The deposit base and the loan portfolio of the commercial banks demonstrate stability in the conditions of the negative economic environment, continuing steady growth. The domestic foreign exchange market is relatively stable; the volatility of the foreign exchange rates against Kyrgyz som has decreased.

The National Bank expects that the average inflation rate will be within the monetary policy targeted range of 5-7 percent in the medium-term by the end of the current year.

Taking into account prerequisites for development of external environment and current internal economic conditions as well as a need to maintain measures to stimulate the real sector of economy the National Bank decided to keep its policy rate unchanged at 5.0 percent.

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 September 28, 2020.

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

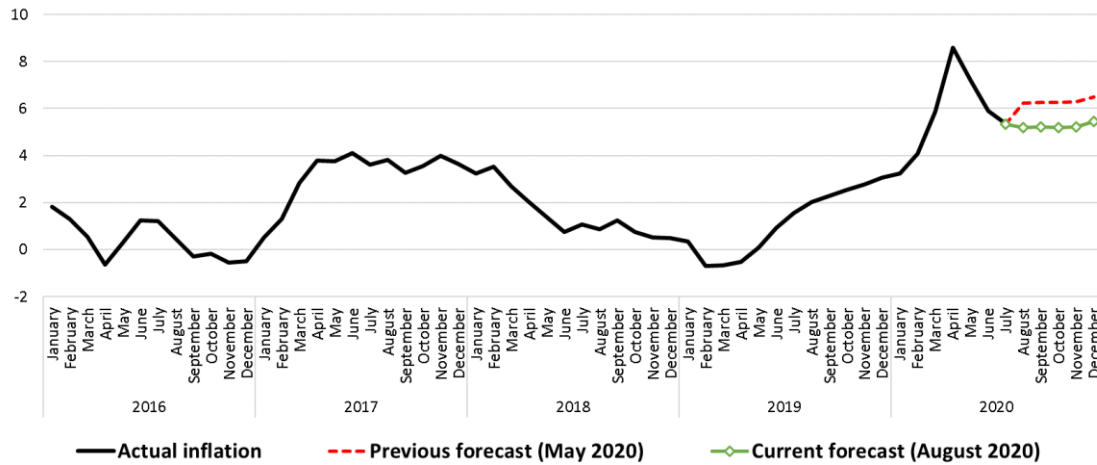
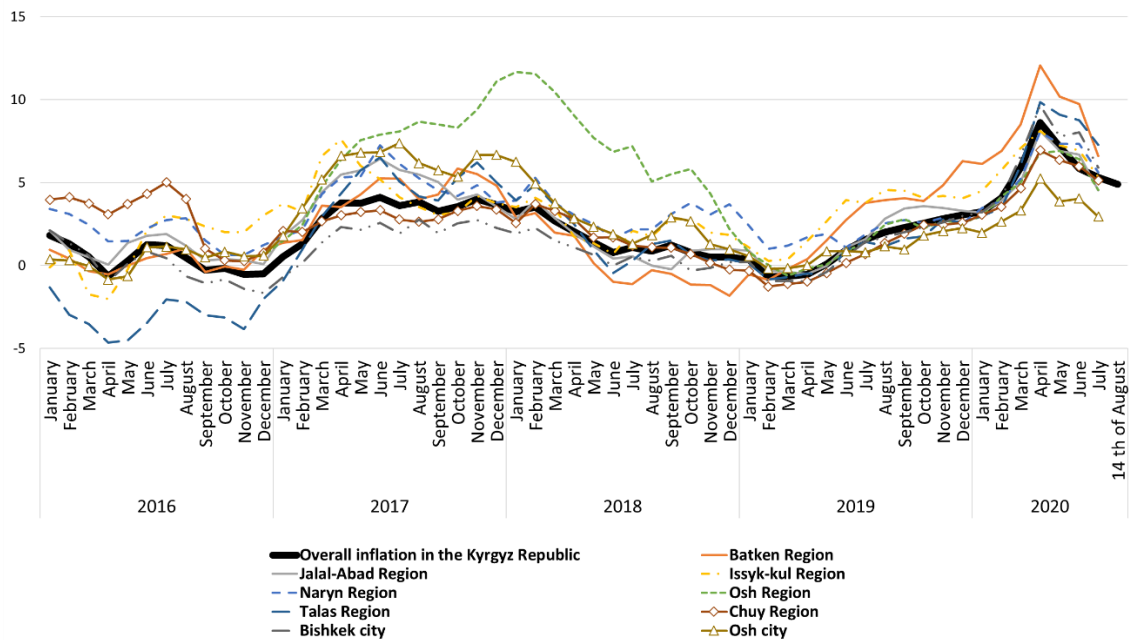


Chart 2. Inflation in the Kyrgyz Republic in regions
(%, month to the corresponding month of the previous year)



*based on data from the National Statistical Committee

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

