



**National Bank of the Kyrgyz Republic**

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# **Inflation Report**

## **I quarter 2013**

**May 2013**

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**Bishkek**

## *Inflation Report*

### **Editorial Board:**

Chairman: Abdybaly tegin S.

Editorial Board Members: Urustemov S.A.

Isakova G.A.

Berdigulova A.R.

Executive Editor: Aidarova A.K.

If you have questions regarding content of this edition, please contact us at:

101 Umetaliev St., Bishkek

National Bank of the Kyrgyz Republic

Phone: (996 312) 669 051

Fax: (996 312) 610 730

E-mail: [aaidarova@nbkr.kg](mailto:aaidarova@nbkr.kg)

If you have questions regarding the distribution of this edition, please contact us at:

101 Umetaliev St., Bishkek

National Bank of the Kyrgyz Republic

Phone: (996 312) 669 009

Fax: (996 312) 610 730

E-mail: [pr@nbkr.kg](mailto:pr@nbkr.kg)

<http://www.nbkr.kg>

This edition contains the description of the consumer price trends in the Kyrgyz Republic and its regions, analysis of major inflation factors, decisions made by the National Bank of the Kyrgyz Republic on monetary policy, and also presents inflation forecast for the upcoming period. It is published on a quarterly basis in the Kyrgyz, Russian and English languages.

The last update of the present publication is: April 26, 2013

Founder: The National Bank of the Kyrgyz Republic.

This edition has been registered by the Ministry of Justice of the Kyrgyz Republic (mass media registration certificate No 628)

Prepared for publication and printed by the publishing house LLC “Pozitiv”.

Number of copies – 100.

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## Chapter 1. Economic Situation in the Kyrgyz Republic

### 1.1. Demand and Supply in Commodities and Services Market

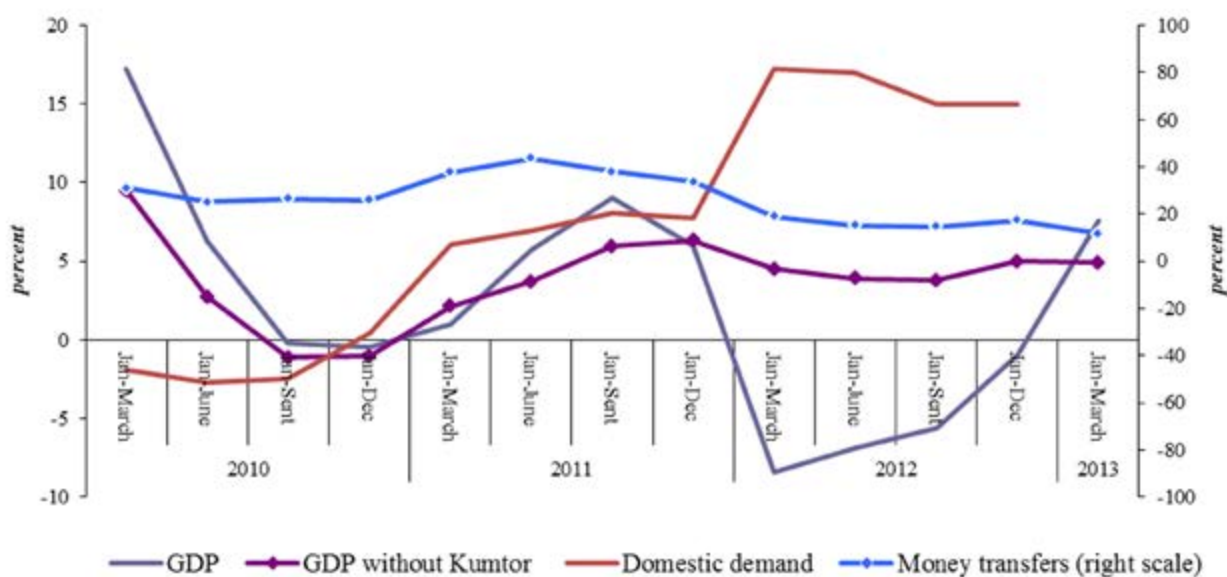
#### 1.1.1. Demand

According to the preliminary data in January-March 2013, the nominal volume of GDP constituted 59.0 billion KGS, having increased in real terms by 7.6 percent against corresponding index for comparable period of 2012, whereas in 2012, GDP decreased by 8,4 percent. Exclusive of enterprises on exploration of gold-mining deposit “Kumtor”, the GDP volume in January-March 2013 increased by 4.9 percent (in 2012, the growth in the same index was 3.7 percent). GDP deflator constituted 3.6 percent against 14.1 percent in January-March 2012.

As per the results of 2012<sup>1</sup>, the GDP calculated by the method on revenue use, decreased by 0.9 percent as compared to the corresponding index of 2011 (according to the results of 2011 the growth was 6.0 percent) due to reduction in export by 11.3 percent. Growth in domestic demand (the sum of final consumption expenditure and gross capital formation) was 15.0 percent in 2012; in 2011 the growth in the similar index was 7.7 percent.

#### Chart.1.1.1. Dynamics of Changes in GDP and Remittances

(for the period)



According to the preliminary data in January-March 2013, individuals' remittances inflow by money transfer system kept increasing, whereas slowdown was observed in the growth rates. Decrease in the growth rates of remittances was caused by slowdown of economic growth in Russia. In January-March 2013, net inflow of remittances increased by 11.7 percent and constituted 351.2 million USD, whereas according to the results of January-March 2012 growth rates constituted 18.8 percent. The bulk of remittances still come from the CIS countries (Russia – 97.4 percent, Kazakhstan – 1.2 percent). 1.4 percent of the total inflow of remittances of individuals came from non-CIS countries.

<sup>1</sup> Hereinafter the reference to earlier periods is conditioned by lack of information as of the first quarter 2013.

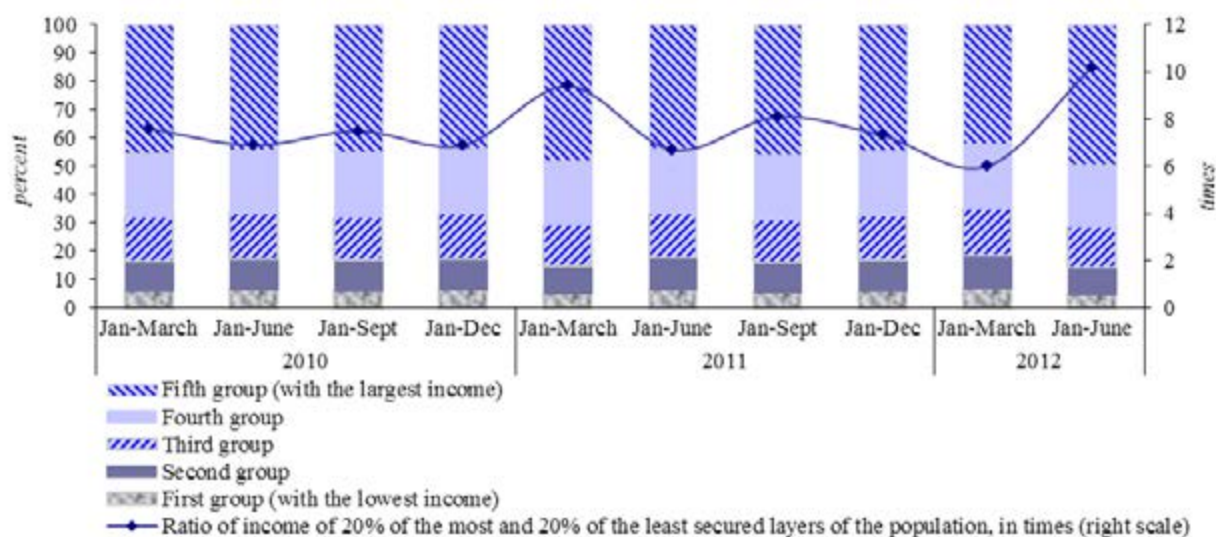
**Table 1.1.1. Remittances of Individuals by Money Transfer Systems\****(million USD)*

	2010	2011	2012	Jan-March 2012	Jan-March 2013**
<b>Balance</b>	<b>1 124.9</b>	<b>1 505.4</b>	<b>1 768.5</b>	<b>314.3</b>	<b>351.2</b>
<b>Inflow</b>	<b>1 252.6</b>	<b>1 695.4</b>	<b>2 017.9</b>	<b>363.8</b>	<b>422.9</b>
CIS countries	1 199.3	1 639.4	1 980.4	355.2	417.0
Kazakhstan	35.0	41.2	33.8	6.6	5.2
Russia	1 164.3	1 597.5	1 946.2	348.5	411.8
Others	0.0	0.7	0.5	0.1	0.1
Far-abroad countries	53.3	56.0	37.5	8.6	5.9
Belgium	0.2	1.4	0.0	0.0	0.0
Great Britain	1.4	1.5	1.2	0.3	0.4
Germany	9.9	15.7	9.5	1.1	1.5
USA	41.7	36.1	25.0	6.9	3.6
Others	0.1	1.3	1.8	0.2	0.3
<b>Outflow</b>	<b>127.6</b>	<b>190.1</b>	<b>249.4</b>	<b>49.5</b>	<b>71.7</b>
CIS countries	125.8	185.8	243.8	48.3	70.5
Kazakhstan	0.4	0.7	0.6	0.2	0.1
Russia	125.4	184.9	242.8	48.0	70.1
Others	0.0	0.3	0.4	0.1	0.4
Far-abroad countries	1.8	4.3	5.6	1.2	1.1
Belgium	0.5	0.6	0.3	0.0	0.0
Germany	0.3	1.4	1.4	0.2	0.1
USA	0.9	2.0	2.5	0.9	0.6
Others	0.2	0.3	1.4	0.1	0.4

\* - Anelik, Blizko, Contact, Migom, MoneyGram, Western Union, Unistream, Zolotaya Korona, Leader, Bystraya Pochta, Allyur and other money transfer systems and remittances via the PE "Kyrgyzpochtasy".

\*\*Preliminary data

According to the results of sample survey of households held by the NCS KR in January-June 2012 in the structure of money income of the population by quintile groups, the major share of money income of the total volume of incomes is concentrated with the wealthiest population. Thus, the share of the wealthiest group constituted 43.5 percent of total population income, having increased by 5.7 percentage points as compared to the corresponding index in 2011. The share of income of 20 percent of the least wealthy population decreased by 1.6 percentage points and constituted 4.8 percent.

**Chart 1.1.2. Composition of Household Money Income by Quintile Groups***(for the period)*

According to the preliminary data of the Central Treasury of the Ministry of Finance, the state budget surplus in the first quarter 2013 amounted to 3.1 billion KGS or 5.2 percent to GDP, while state budget deficit in the corresponding period of 2012 constituted 1.8 percent to GDP.

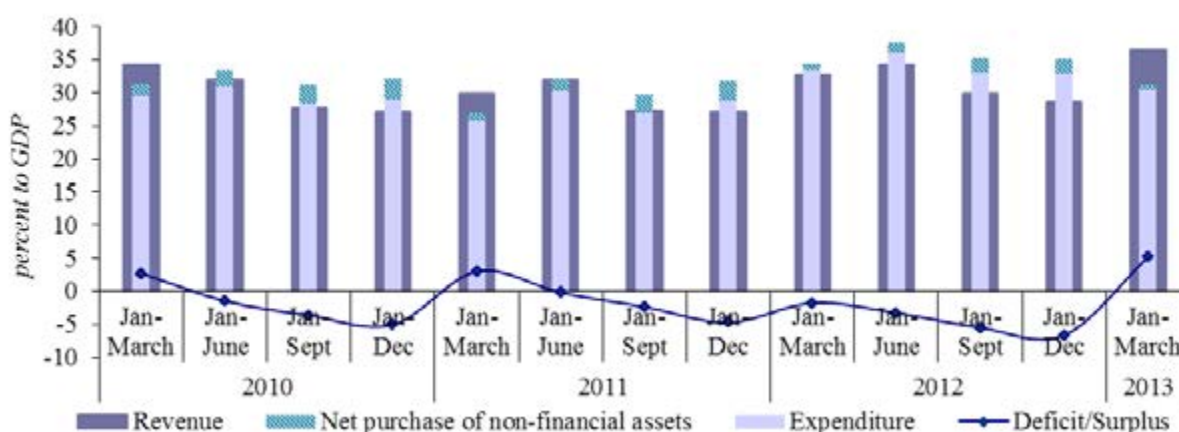
Total state budget revenues, including revenues from sales of non-financial assets constituted 21.5 billion KGS (36.5 percent to GDP), having increased by 23.6 percent or 4.1 billion KGS as compared to the corresponding index of the first quarter of 2012. Revenues from operating activity constituted 21.5 billion KGS or 36.4 percent to GDP. The largest contribution to growth in operating income was made by received official transfers (11.1 percentage points), the contribution of tax revenues was 9.2 percentage points, while the contribution of non-tax revenues made 3.8 percentage points.

Total expenditures of the state budget, including expenditures from sales of non-financial assets constituted 18.5 billion KGS or 31.3 percent to GDP, having slightly increased by 0.6 percent or 0.1 billion KGS against the comparable index of the corresponding period of January-March, 2012.

Expenses for operational activity constituted 17.9 billion KGS or 30.4 percent to GDP. Generally, decrease of all budget expenses, exclusive of expenses for subsidies and social allowances, was observed with reference to GDP. The major contribution to growth of this group of expenses was made by expenditures for payment of pension basic component in compliance with the social insurance of the population, financing thereof, according to the Decree of the President of the Kyrgyz Republic №252 dated May 26, 2009, shall be implemented in the amount of 80 percent from the republican budget (in 2012 financing from the republican was implemented in the amount of 60 percent).

According to the preliminary data of the Social Fund of the Kyrgyz Republic, deficit of the Social Fund budget amounted to 0.2 billion KGS or 0.4 percent to GDP, revenues – 7.7 billion KGS or 13.1 percent to GDP, expenditures – 8.0 billion KGS or 13.5 percent to GDP.

Consolidated budget surplus (state budget + the budget of the Social Fund) for the reporting period amounted to 2.8 billion KGS or 4.8 percent to GDP. Revenues amounted to 25.4 billion KGS or 43.0 percent to GDP and expenditures – 22.5 billion KGS or 38.2 percent to GDP.

**Chart 1.1.3. State Budget Implementation***(for the period)*

According to the preliminary data, the volume of investments into fixed capital in January-March 2013 increased in real terms by 9.7 percent as compared to the corresponding index of 2012 and amounted to 6.9 billion KGS.

**Table 1.1.2. Investments in the Fixed Capital by Sources of Finances**

<b>Total</b>	<b>6 104.6</b>	<b>6 900.5</b>	<b>100.0</b>	<b>109.7</b>
<b>Internal investments</b>	<b>5 250.7</b>	<b>5 312.4</b>	<b>77.0</b>	<b>98.2</b>
Republican budget (including funds intended for emergencies)	85.6	92.8	1.3	105.3
Local budget	10.9	25.9	0.4	2.3 times
Funds of enterprises and organizations	2 727.9	2 013.2	29.2	71.6
Bank credit	-	117.4	1.7	122.5
Population assets	2 426.3	3 063.1	44.4	-
<b>External investment</b>	<b>853.9</b>	<b>1 588.1</b>	<b>23.0</b>	<b>1.8 times</b>
Foreign credit	165.5	1 104.2	16.0	6.5 times
Foreign direct investments	448.9	232.5	3.4	50.3
Foreign grants and humanitarian aid	239.5	251.4	3.6	101.9

Source: NSC KR

In the sectoral structure of investments, during the reviewed period the major share is attributed to the mining industry (19.8 percent), processing industry (16.4 percent), transport and communication (8.2 percent), electricity, gas and water generation and distribution (3.9 percent). At that, the level of investments into fixed capital at the facilities of mining industry decreased by 25.3 percent. Financing of this sector was implemented by means of funds submitted by enterprises and organizations (94.3 percent) and direct foreign investments (5.7 percent).

In January-March 2013, the volume of investments into fixed capital of the processing industry increased by 2.7 times, financing was implemented by means of foreign credit (80.2 percent), generally, by means of attracting 770.3 million KGS for construction of oil refinery in Kara-Balta town.

In January-March 2013, increase in the volume of investments for construction of transport and communication objects constituted 32.3 percent as compared to January-March 2012. Financing of this sector was implemented by means of funds submitted by enterprises and organizations (53.6 percent), foreign grants and humanitarian aid (19.5 percent), foreign credits (17.2 percent).



The volume of investments implemented in the sector of objects construction for production and distribution of electric energy, gas and water decreased by 27.2 percent as compared to January-March 2012. The major volume of investments (64.8 percent) was financed by enterprises, organizations and foreign credits (17.2 percent).

### 1.1.2. Supply

In the reporting period, the largest contribution in GDP formation was made by the processing enterprises (3.8 percentage points) generally due to rehabilitation of production output at the enterprises on exploration of gold-mining deposit "Kumtor", trade (1.2 percentage points), transport and communication (0.8 percentage points). The structure of total supply of goods and services in January-March 2013 did not change considerably and was the following: sectors of other services made 23.4 percent, industry – 21.4 percent, trade – 16.2 percent, transport and communication – 11.1 percent of total GDP.

**Table 1.1.3. Contribution of Individual Activities to GDP Increase/Decrease**

	January-March 2012		January-March 2013	
	growth rate, percent	contrib to growth, p.p.	growth rate, percent	contrib to growth, p.p.
<b>Gross domestic product</b>	<b>-8.4</b>	<b>-8.4</b>	<b>7.6</b>	<b>7.6</b>
Gross added value	-8.4	-7.5	7.6	6.5
Agriculture, hunting and forestry	0.8	0.1	1.5	0.2
Mining industry	-1.1	0.0	-2.3	0.0
Processing industry	-43.5	-10.8	28.4	3.8
Electricity, gas and water generation and distribution	24.9	1.4	-1.5	-0.1
Construction	-3.5	-0.1	14.5	0.5
Trade, repair	6.2	0.9	7.4	1.2
Hotels and restaurants	4.7	0.1	6.2	0.1
Transport and communication	8.4	0.9	7.4	0.8
Financial activity	0.9	0.0	10.8	0.1
Real estate transactions, rent	-3.9	-0.2	-1.3	-0.1
State management	3.5	0.2	-1.8	-0.1
Education	5.4	0.2	1.2	0.1
Healthcare and provision of social services	2.0	0.0	2.1	0.1
Provision of utility and personal services	-6.0	-0.1	1.9	0.0
Net tax on products	-8.4	-0.9	7.6	1.1

Source: NSC KR

### Contribution of Individual Activities to GDP Increase/Decrease, calculated in the prices of 2011

	January-March 2011			January-March 2012			January-March 2013				
	nominal GDP	growth rate	contrib. to GDP growth	nominal GDP	GDP in prices of 2011	growth rate	contrib. to GDP growth	nominal GDP	GDP in prices of 2011	growth rate	contrib. to GDP growth
Agriculture, hunting and forestry	3 846.8	0.4	0.0	5 531.0	3 878.5	0.8	0.1	5 590.9	3 936.6	2.3	0.2
Industry	15 833.8	-0.4	-0.1	10 745.0	11 062.8	-30.1	-9.4	12 643.7	13 087.2	-17.3	-5.4
Mining industry	323.9	25.3	0.1	442.4	320.4	-1.1	0.0	497.3	313.1	-3.3	0.0
Processing industry	12 616.0	-7.9	-1.9	7 126.7	7 128.0	-43.5	-10.8	9 290.7	9 152.4	-27.5	-6.8
Including "Kumtor"	9 233.9	-8.1	-1.4	4 117.4	3 448.3	-62.7	-11.4	5 720.4	4 820.8	-47.8	-8.7
Incl. process. industry. without "Kumtor"	3 382.1	-7.5	-0.5	3 009.3	3 679.7	8.8	0.6	3 570.3	4 150.7	22.7	1.5
Electricity, gas and water generation and distribution	2 893.9	28.2	1.6	3 175.9	3 614.4	24.9	1.4	2 855.7	3 560.1	23.0	1.3
Construction	1 681.7	-7.8	-0.3	1 722.6	1 622.8	-3.5	-0.1	2 031.7	1 858.0	10.5	0.3
Trade	7 686.3	-0.9	-0.1	8 367.2	8 161.0	6.2	0.9	9 585.9	8 764.2	14.0	2.1
Transport and communication	5 128.4	12.7	1.2	5 835.1	5 559.3	8.4	0.9	6 564.5	5 970.2	16.4	1.7
Other	10 885.7	0.8	0.2	13 175.5	10 988.3	0.9	0.2	13 803.3	11 061.8	1.6	0.3
Net taxes on products	5 628.2	1.0	0.1	7 594.2	5 155.4	-8.4	-0.9	8 791.3	5 547.2	-1.4	-0.2
<b>GDP</b>	<b>50 690.9</b>	<b>1.0</b>	<b>1.0</b>	<b>52 970.6</b>	<b>46 428.1</b>	<b>-8.4</b>	<b>-8.4</b>	<b>59 011.3</b>	<b>49 946.1</b>	<b>-1.5</b>	<b>-1.5</b>
<b>GDP without Kumtor</b>	<b>41 457.0</b>	<b>2.9</b>	<b>2.4</b>	<b>48 853.2</b>	<b>42 979.8</b>	<b>3.7</b>		<b>53 290.9</b>	<b>45 069.3</b>	<b>8.7</b>	

GDP calculations in the prices of 2011 prove that at the end of the first quarter 2013 the rehabilitation of the economy in Kyrgyzstan has not reached the level of 2011. In January-March 2013, GDP volume decreased by 1.5 percent as compared to the corresponding index of 2011. Such dynamics of GDP reflects slow rehabilitation of economic activity in the country after recession in 2012.

The current volume of output in the processing industry has not reached the level of January-March 2011. At that, positive contribution to GDP formation was made by such sectors as construction, agriculture and service.

According to the preliminary data, in January-March 2013 the physical volume index (PVI) of industrial production increased by 18.6 percent as compared to the corresponding index of 2012 (in 2012 the volume of industrial production decreased by 28.0 percent). Increase in PVI of industrial production was mainly due to rehabilitation of production volume of other nonmetallic and mineral products (3.3 times), in metallurgical production and production of finished metal goods (by 42.6 percent), in wood processing and woodware manufacturing (by 36.7 percent). There was an increase in PVI of industrial production at 5.7 percent excluding enterprises on exploration of gold-mining deposit "Kumtor".

According to the preliminary data, in the reviewed period growth of PVI by 1.5 percent was observed in agriculture (in January-March 2012 the volume of agricultural products output increased by 0.8 percent). During the reviewed period, growth in agriculture was conditioned by increase in the volume of major livestock products output as compared to the similar period of the last year. The output volume of major livestock products increased in many regions of the republic.

Trade turnover increased by 7.1 percent (in the corresponding period of 2012 there was increase by 7.3 percent). In the structure of trade turnover, the major share is attributed to the retail trade, excluding cars and motor fuel trade (55.1 percent) and wholesale trade (29.6 percent).

**Table 1.1.4. Dynamics and Structure of Gross Turnover of Trade Operations**

	Jan-March 2012		Jan-March 2013	
	share, percent	growth rate, percent	share, percent	growth rate, percent
<b>Trade</b>	<b>100.0</b>	<b>107.3</b>	<b>100.0</b>	<b>107.1</b>
Trade in cars and their spare parts	3.0	102.1	2.7	106.0
Car maintenance	0.5	95.6	0.5	104.8
Wholesale trade	30.3	107.2	29.6	103.6
Motor fuel retail trade	11.0	116.8	11.9	121.7
Retail trade, excluding cars and motor fuel	55.0	106.1	55.1	106.3
Repair of household appliances	0.2	94.2	0.2	95.0

Source: NSC KR

## 1.2. Monetary Trends

### Monetary Base

As of April 1, 2013 the monetary base constituted 63.7 billion KGS, having decreased in the first quarter 2013 by 1.2 percent or 789.9 million KGS (in the first quarter 2012 – by 1.9 percent). The monetary base decreased by 935.4 million KGS due to operations of the Government. The operations of the National Bank increased the monetary base by 145.5 million KGS.

For reference: in the first quarter 2012 the monetary base decreased by 1.0 billion KGS. The operations of the National Bank decreased the monetary base by 2.3 billion KGS; operations of the Government increased the monetary base by 1.3 billion KGS.

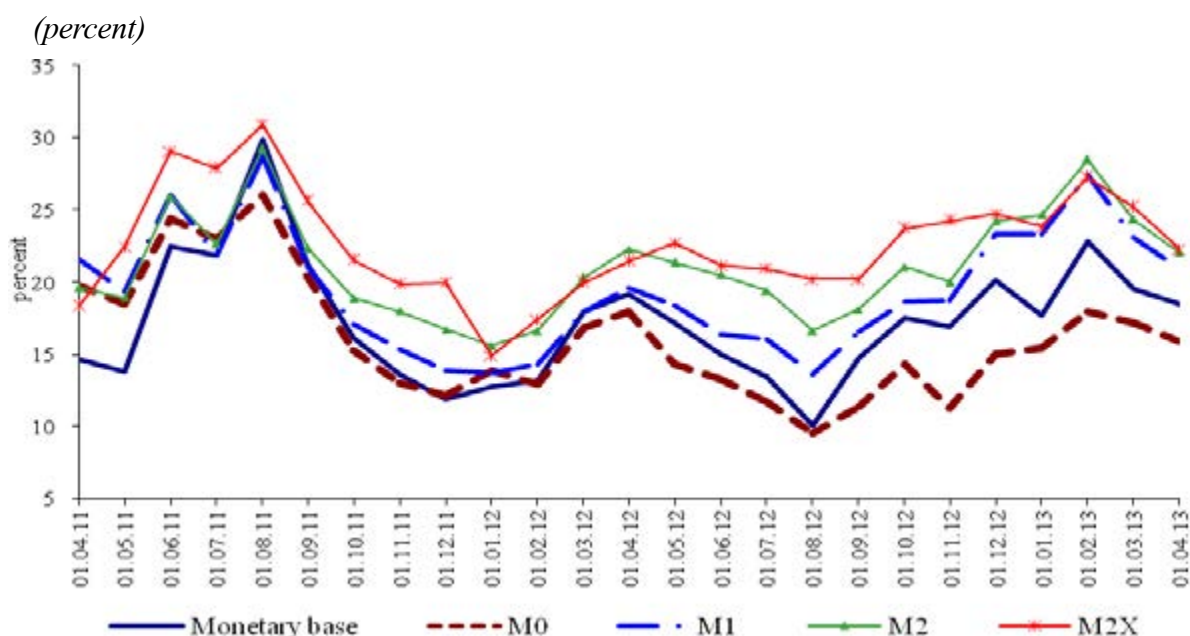
In January-March 2013, the National Bank for the purposes of restricting monetary component of inflation increased the volume of NBKR notes in circulation from 3.1 billion KGS as of the end of the year to 3.7 billion KGS as of the end of March 2013. During the reviewed period, the volume of government securities in circulation sold under REPO terms amounted to 0.5 billion KGS (at the beginning of the year – 0.8 billion KGS).

According to the results of January-March 2013 the share of cash in circulation decreased by 2.7 percent and amounted to 56.7 billion KGS (in the corresponding period 2012 – by 3.1 percent).

### M2 Aggregate

As of April 1, 2013 money stock M2 (M0 + deposits in the national currency) amounted to 76.4 billion KGS, having decreased in the first quarter 2013 by 1.4 percent (in the corresponding period of 2012 increase constituted 0.7 percent). The components of the monetary aggregate M2 changed as follows: the money outside the banks (M0) decreased by 2.2 percent, while the deposits in the national currency increased by 0.4 percent, including term deposits – by 9.3 percent and transferable deposits (demand deposits) – by 3.6 percent.

**Chart 1.2.1. Annual Nominal Growth Rates of Monetary Aggregates**

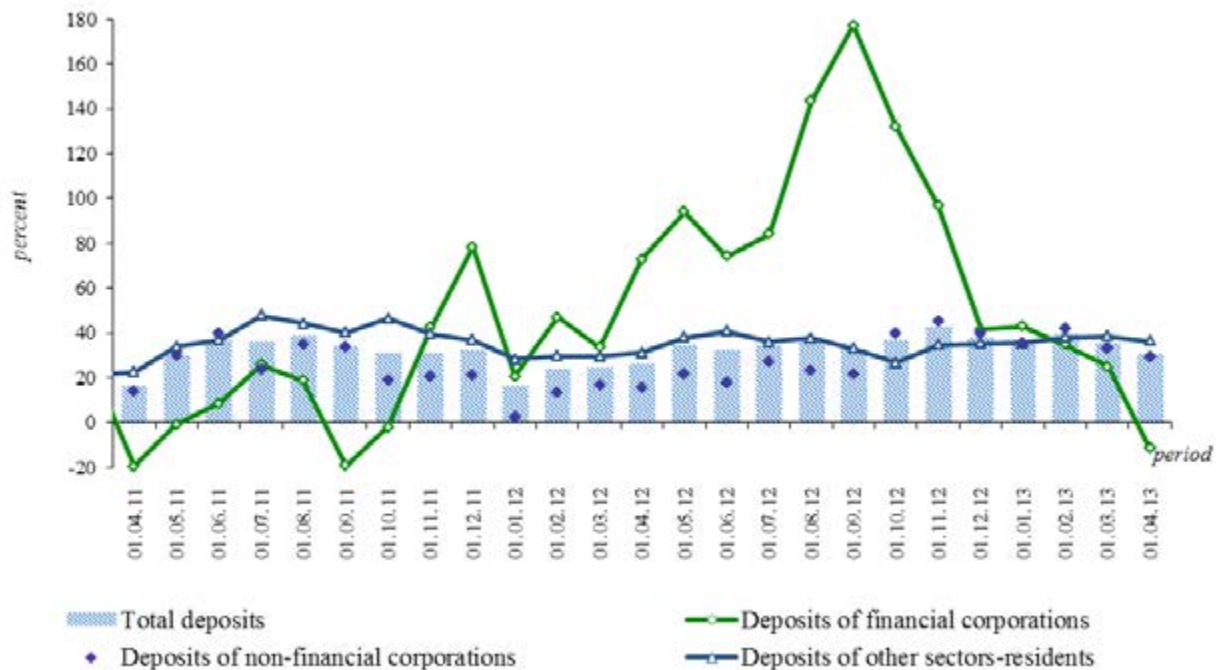


## M2X Aggregate

The volume of M2X broad money (M2 + deposits in foreign currency) as of April 1, 2013 amounted to 99.0 billion KGS, having increased in January-March 2013 by 0.5 percent (in the corresponding period of 2012 – by 1.8 percent). The total amount of deposits included in the definition of M2X broad money increased by 3.9 percent, including deposits in foreign currency increased by 7.6 percent (in January-March 2012 the total volume of deposits increased by 8.1 percent, while money outside the banks decreased by 2.5 percent).

In the sectoral structure among the components of M2X broad money the most rapid growth was observed in the deposits of other sectors-residents, the growth thereof constituted 8.8 percent at the end of the first quarter of 2013. During the reviewed period, the deposits of non-financial corporations increased by 1.5 percent, meanwhile, the deposits of financial corporations decreased by 27.2 percent.

**Chart 1.2.2. Annual Nominal Growth Rates of Deposits in Commercial Banks**



According to the results of January-March 2013, the structure of money stock M2X changed as follows:

- the share of money outside the banks decreased from 55.4 to 53.9 percent;
- the share of deposits in the national currency remained at 23.3 percent;
- the share of deposits in foreign currency increased from 21.3 to 22.9 percent.

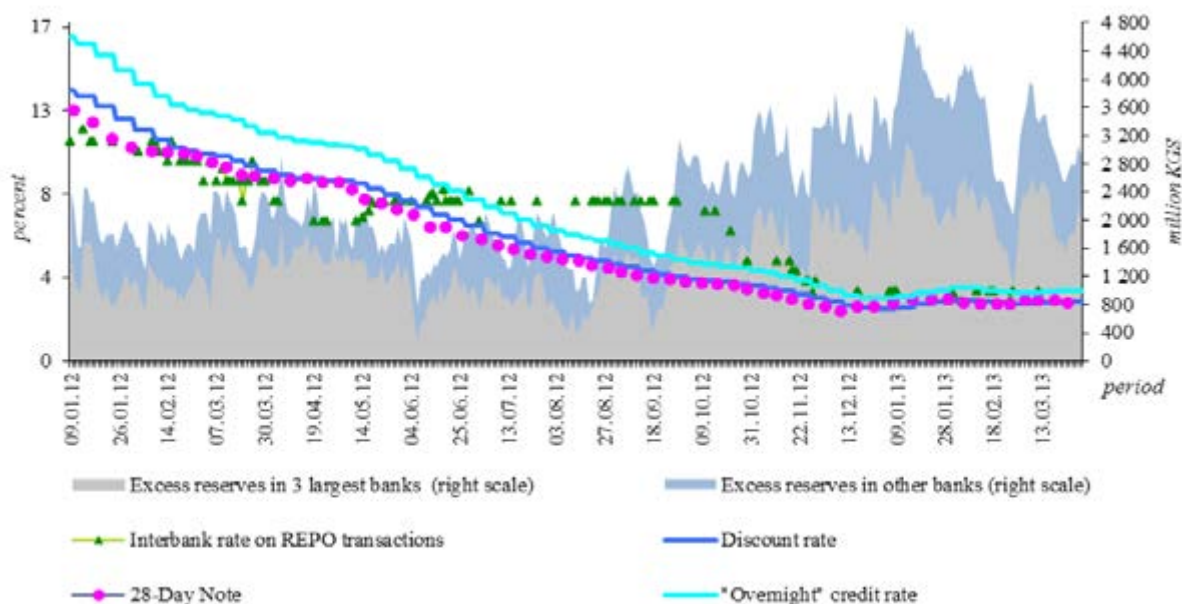
The multiplier of M2X multiplier, which is a measure of financial intermediation, has increased during the reporting period from 1.527 at the beginning of the year to 1.543 at the end of March 2013.

Coefficient of the economy monetization, calculated on the basis of M2X monetary aggregate, increased from 29.0 percent at the beginning of the year to 30.0 percent at the end of the first quarter of 2013, as a result of advanced growth rates of money stock as compared to the economic growth rates. Therefore, the velocity of M2X broad money circulation decreased from 3.4 percent at the beginning of the year to 3.3 percent at the end of March 2013.

## Operations in the Inter-Bank Market

The volume of excessive liquidity in the banking system, as one of the factors having significant influence on the process of formation of the major development trends in the financial market, as of April 1, 2013 amounted to 2.9 billion KGS. Minimum value was recorded in the last decade of February, when the level of this index decreased to 2.1 billion KGS.

**Chart 1.2.3. Dynamics of Monetary Market Rates**



In the first quarter of 2013, the total volume of loans (exclusive of “overnight” credits) decreased as compared to the corresponding period of the previous year by 28.5 percent, to 1.0 billion KGS. However, aggregate volume of loans in the national currency (including “overnight” credits) decreased by 13.3 percent and amounted to 1.3 billion KGS. The volume of repo-transactions significantly decreased by 55.3 percent and amounted to 583.3 million KGS. The average weighted interest rate on repo-transactions decreased by 7.0 percentage points, to 3.4 percent.

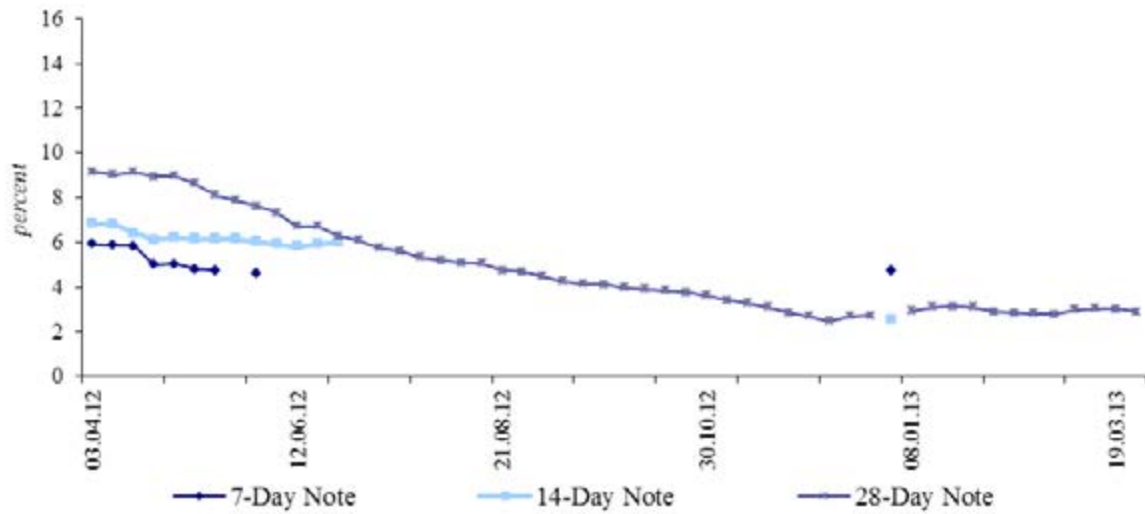
The total volume of standard credit transactions in the national currency in the internal inter-bank market of credit resources amounted to 434.7 million KGS with an average interest rate of 8.5 percent per annum (-1.5 percentage points). Transactions in foreign currency were not carried out in the reporting period.

As of the end of March 2013, the discount rate amounted to 2.98 percent, having increased by 0.34 percentage points from the beginning of the year. As a result, “overnight” credit rate decreased by 10.1 percentage points per annum and constituted in average 3.5 percent for the period, the volume of such credits increased by 71.4 percent, to 297.4 million KGS.

At the end of 2012, the National Bank introduced new refinancing instrument – credit auction. The objective of this auction was to provide temporary credits for the purposes of refinancing and support of liquidity in the national currency. Credits are provided for the period from 1 to 6 months. One auction with credits to be provided for 6 months was carried out in the first quarter 2013. The total volume of credit resources provided by the commercial banks amounted to 95.0 million KGS.

The focus of investors was drawn towards the most profitable 28-day notes of the National Bank. The total volume of declared emission amounted to 11.1 billion KGS, having increased by 25.4 percent as compared to the corresponding index in January-March 2012.

**Chart 1.2.4. Dynamics of the NBKR Notes Yield**

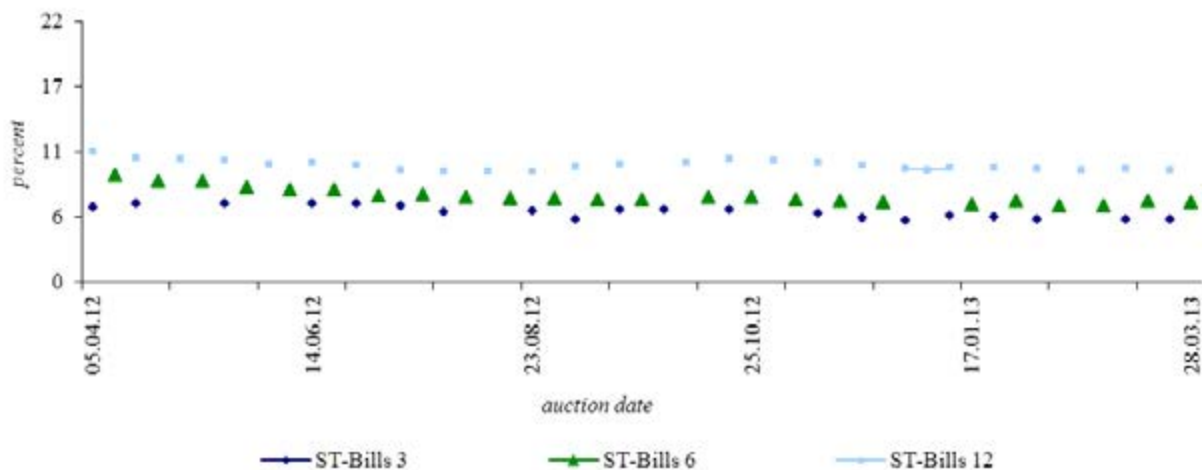


In January-March 2013, the volume of declared ST-Bills emission amounted to 1.6 billion KGS. The total sales volume of ST-Bills in the reporting period increased as compared to the corresponding period of 2012 by 56.6 percent to 1.6 billion KGS. The average monthly index of ST-Bill yield as compared to the corresponding period of 2012 decreased to 8.5 (-3.7 percentage points) due to decline in the profitability on all types of securities, particularly the profitability of 3-, 6- and 12-month ST-Bills decreased by 1.1, 4.8 and 3.8 percentage points respectively.

In the reviewed period there were held three auctions of ST-Bonds, where the total amount of allocated loan securities constituted 356.0 million KGS, which was 16.6 percent more than in the corresponding period of 2012. In the first quarter of 2013, the total volume of declared emission amounted to 466.0 million KGS (+13.4 percent).

Market strengthening, on the background of increase in the volume of securities emission, was followed by slow decrease in the average monthly interest rate by 1.0 percentage points to 15.0 percent.

**Chart 1.2.5. Dynamics of ST-Bills Yield**



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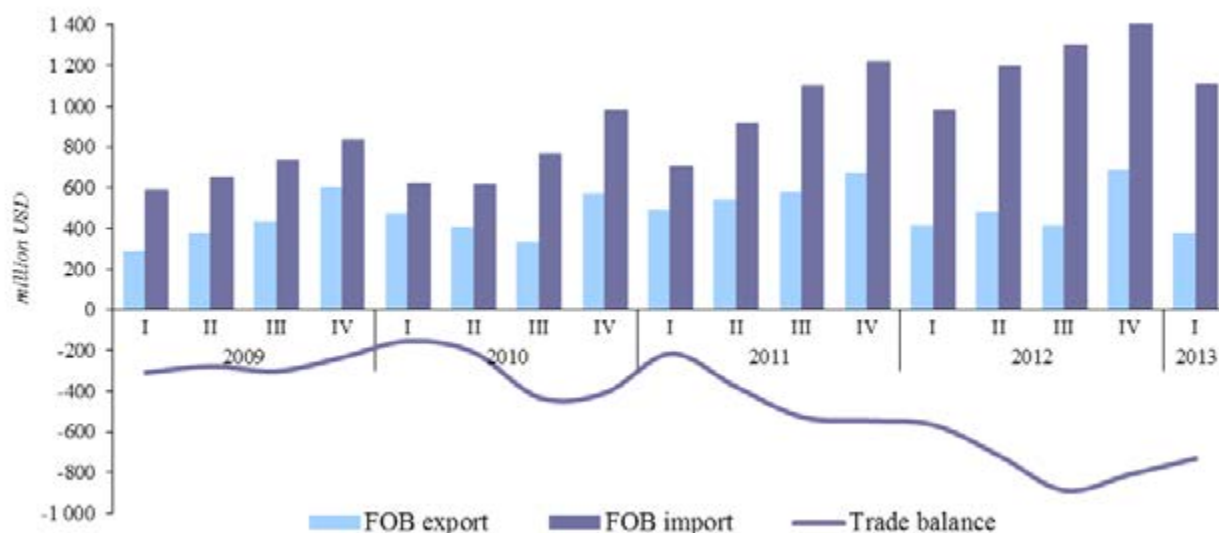
### 1.3. External Economic Conditions<sup>1</sup>

According to the preliminary data, the deficit of trade balance of the Kyrgyz Republic in the first quarter of 2013 increased by 29.2 percent and amounted to 729.7 million USD as compared to the corresponding index of the similar period in 2012.

The external turnover in the reporting period increased by 5.8 percent as compared to the corresponding index of the first quarter in the previous year and amounted to 1 476.2 million USD.

**Chart 1.3.1. Foreign Trade**

(million USD)



Export of goods (in FOB prices) in the reporting quarter of 2013 amounted to 373.2 million USD, having decreased by 10.0 percent as compared to the corresponding period of 2012. During the reporting quarter, the volume of gold export decreased by 24.4 percent (by 30.0 million USD in absolute terms). As a result, the share of this item in total exports decreased to 30.9 percent. This decline was caused by decrease both in the physical volume of supplies (by 22.1 percent) and export price (by 3.0 percent). Besides, decrease was observed in the supply of clothes and clothing accessories, cotton, vegetables, cast iron and steel, motor gasoline, etc. Besides, increase was observed in the export of aviation fuel, trucks and special purpose vehicles, other non-organic substances, rolled glass, etc. Thus, the volume of export excluding gold decreased by 31.5 percent and amounted to 280.4 million USD.

During the reporting period the shares of the main groups of exported goods<sup>2</sup> slightly changed. Due to increase in the value, the share of investment goods increased from 7.4 to 10.3 percent. The value of other groups decreased, while their shares changed slightly.

Exports of consumer goods decreased by 15.4 percent and constituted 70.1 million USD. Whereas, there was considerable decline in the volume of food products as compared to the non-food products (18.4 and 12.7 percent respectively).

<sup>1</sup> According to the data of NSC KR and SCS KR including NBKR adjustments, unless otherwise indicated.

<sup>2</sup> Hereinafter, according to the NSC KR and SCS KR excluding NBKR adjustments.

Reducing in the supply of foodstuff was mainly caused by decrease in the value of vegetables export (by 10.3 percent or 1.9 million USD) due to decline in the physical volume of supplies by 18.7 percent and growth of export prices by 10.3 percent. At that, due to growth in the physical volume of supplies against decrease of export prices by 13.9 percent, the value of exported fruits and nuts increased (by 11.4 percent or 0.9 million USD). Moreover, the volume of meat and meat products increased (by 54.4 percent or 0.6 million USD), due to increase in export prices by 3.1 times and decrease in the physical volume by 50.8 percent.

In the structure of non-food products, decrease in the volume of export was conditioned by clothes and clothing accessories (decrease by 29.4 percent or 7.9 million USD). Moreover, there was growth in the export of glow-lamps by 26.4 percent or 1.3 million USD due to price increase by 34.7 percent with decrease in physical volume of supplies by 6.1 percent.

In the reporting quarter of 2013, import of goods<sup>1</sup> in FOB prices increased by 12.6 percent and amounted to 1 103.0 million USD. Dynamics of import was conditioned by supplies of oil products, which increased by 37.4 percent or 83.0 million USD due to growth of physical volume of supplies by 30.2 percent with price growth by 4.6 percent. Significant contribution to growth in the volume of imported goods was made by trucks and special purpose vehicles, cast iron and steel, stone, sand and gravel, mechanical shovels and excavators, cereal products, etc. At that, there was decrease in the supplies of pre-owned cars, electrical wire telephone sets, meat and meat products, plastics in prime form, fertilizers, etc.

In the functional structure of imports<sup>2</sup> during the reviewed period due to decline in the value, the share of consumer goods decreased to 28.8 percent. The share of other groups increased due to growth of value.

In the reporting quarter, the imports of consumer goods reached the amount of 344.4 million USD (decrease by 7.8 percent). Decrease was caused by decline in the supplies of non-food products by 13.6 percent, while the supplies of food products increased by 3.5 percent.

In the structure of non-food products, due to decline in the physical volume of supplies by 48.0 percent and actual export prices by 16.8 percent, there was decrease in the import of pre-owned cars by 56.8 percent or 60.8 million USD. Moreover, the supplies of clothes and clothing accessories decreased by 10.3 percent. At that, growth in the physical volume by 45.8 percent and decrease in prices by 0.4 percent resulted in increase of the import value by 45.2 percent (or by 3.6 million USD). Import supplies of medicaments increased (by 4.5 percent or by 1.5 million USD), due to growth in the physical volume by 3.7 percent and import prices by 0.7 percent.

In the structure of food products, as a result of growth of the import prices by 15.0 percent and decrease of the physical volume by 1.1 percent, the volumes of other food products increased (by 13.8 percent or 1.1 million USD). Also, decrease in the physical volume of import by 48.2 percent with simultaneous price growth by 28.0 percent caused decrease in the import value of meat and meat products by 33.6 percent (or 6.0 million USD).

<sup>1</sup> CIF import amounted to 1 196.6 million USD, deficit of trade balance in CIF prices – 823.4 million USD.

<sup>2</sup> Hereinafter in CIF prices, according to the data of NSC KR and SCS KR excluding NBKR adjustments.



## 1.4 Exchange Rate

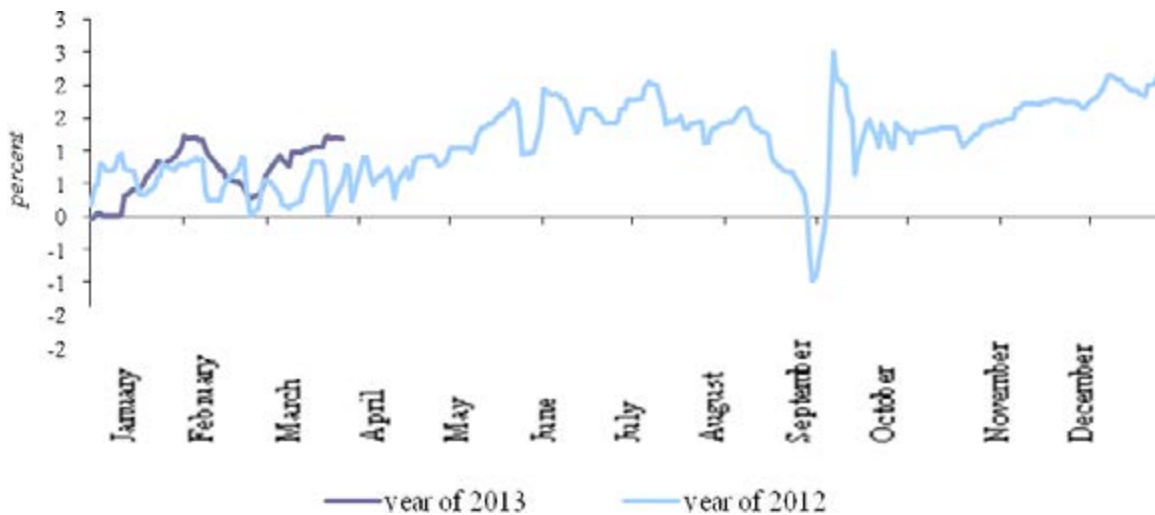
In the first quarter 2013 there was observed multidirectional dynamics of change in the U.S. dollar exchange rate. Thus, in February 2013, after U.S. dollar strengthening in the previous month, the exchange rate decreased by 0.4 percent generally due to inflows from abroad by money transfer systems.

However, in March the value of the U.S. dollar increased again, the support of demand for the U.S. dollars was conditioned by preserved volumes of banks transactions on servicing of import contracts of the clients.

Thus, during the first three months of the current year the exchange rate of U.S. dollar increased by 1.2 percent from 47.4012 to 47.9610 KGS/USD.

Sustainable currency market stability in the reviewed period allowed the National Bank to continue reducing its presence in the currency market in accordance with the stipulated objectives of monetary control. In the first quarter of 2013, the National Bank of the Kyrgyz Republic did not implement currency interventions.

**Chart 1.4.1. Official USD exchange rate changes**



## Chapter 2. Inflation and its Components

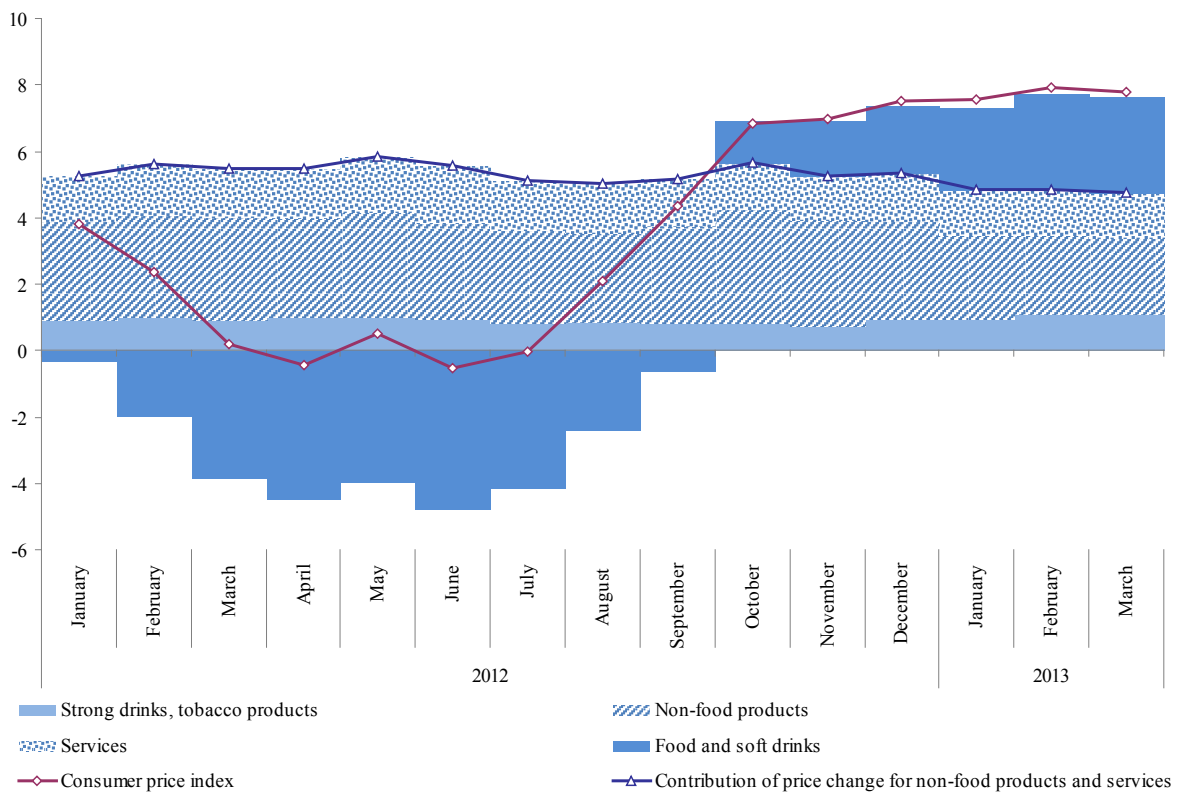
### 2.1. Consumer Price Index Development

According to the data of the National Statistics Committee, inflation index at the end of the first quarter of 2013 (March 2013 against March 2012) constituted 7.8 percent, at that, prices declined by 0.1 percent in March as compared to February 2013.

In January-March 2013, prices for food products constituting approximately 48 percent in the consumer goods basket still influenced the dynamics of consumer prices. Prices for this group of goods rose by 6.0 percent in annual terms.

**Chart 2.1.1. Annual Dynamics of CPI Structure**

(percent)



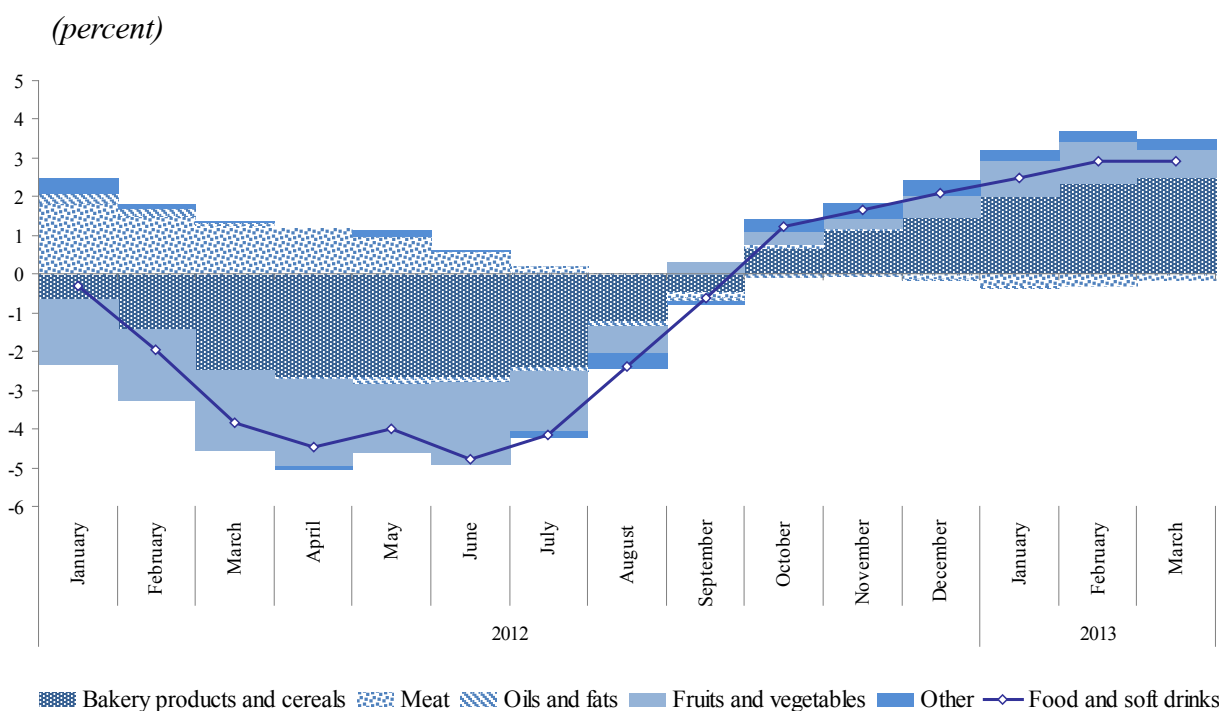
In the reviewed period, the consumer price index for non-food products increased by 7.9 percent, for paid services – 10.0 percent, for strong drinks and tobacco products – 12.0 percent.

## 2.2. Dynamics of Prices for Food Products

According to the results of March 2013, the prices for food products in annual terms increased by 6.0 percent, at the end of March 2012 prices for food products decreased by 8.2 percent. The largest contribution to prices volatility of this group of goods was made by bakery products and cereals, as these goods suffer the influence of prices in the world commodity markets most of all. At that, the current dynamics of prices for bakery products preserves its stability; it is generally conditioned by expectations of rich harvest in the republic and in the crops producing countries in 2013.

From the beginning of the current year, there was slowdown of prices growth for meat and sugar, prices for these goods declined in annual terms by 1.6 and 8.0 percent respectively.

**Chart 2.2.1. Contribution Dynamics of Prices for Food Products to Annual CPI**



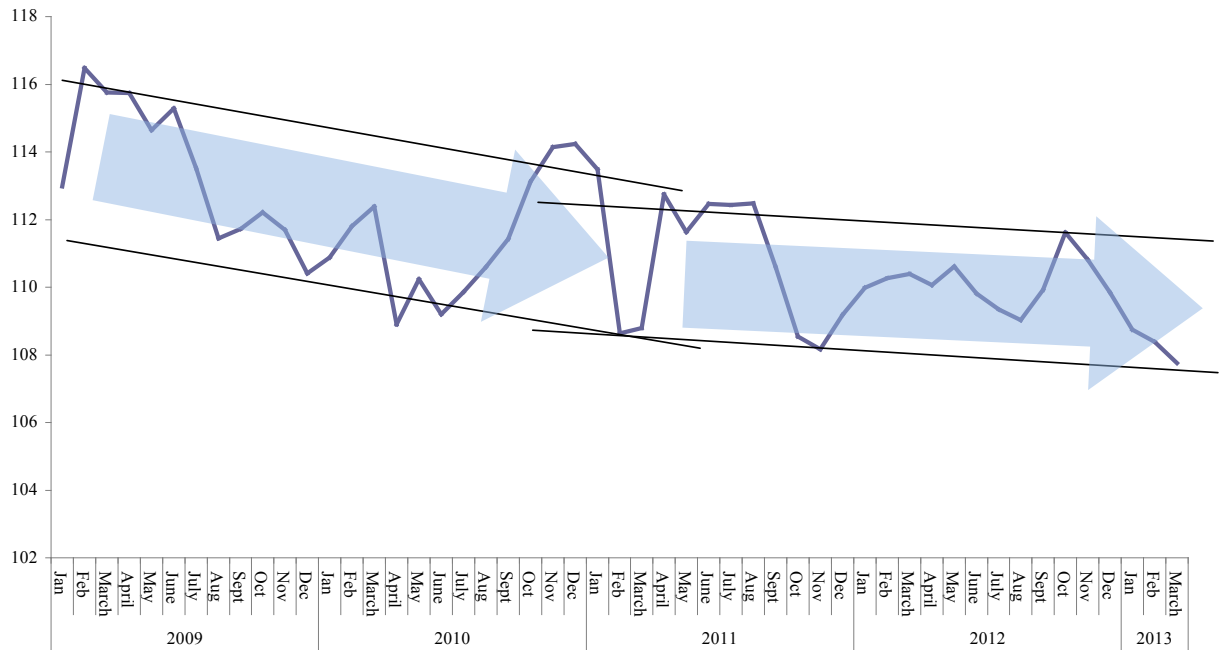
Significant dependence of internal prices for food products on dynamics of world prices is generally conditioned by high dependence of economy in Kyrgyzstan on imported food products. Thus, according to the NSC KR in 2012 the share of import in the structure of bakery products consumption constituted 67.5 percent, the share of import in consumption of wheat and its derivatives constituted 68.6 percent, import of vegetable fat in consumption made 69.4 percent, sugar consumption was provided by import which constituted 83.8 percent.

## 2.3. Dynamics of Prices for Non-Food Products

According to the results of March 2013, growth of the price index for non-food products in annual terms constituted 7.9 percent. During the last years, prices for this group of goods are rather stable, at that, growth of prices for non-food products slows down every year, it may indicate decline of monetary component of inflation in the economy of Kyrgyzstan.

**Chart 2.3.1. Dynamics of Prices Growth for Non-Food Products**

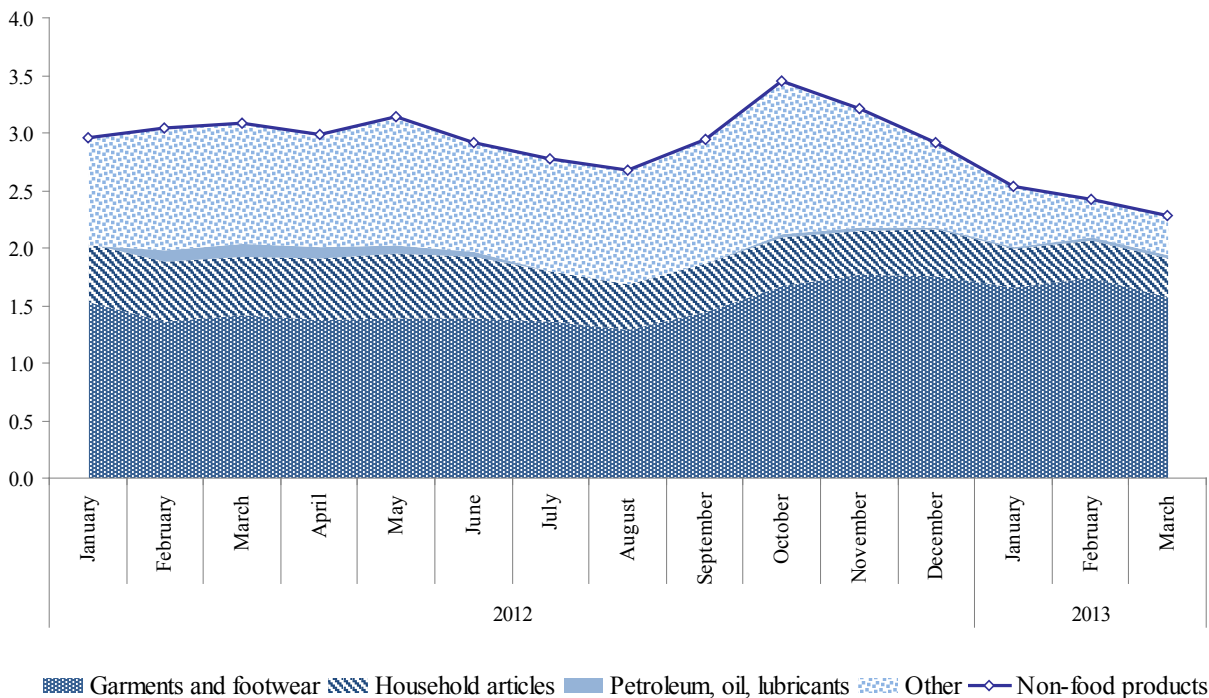
(percent, to the corresponding month of the previous year)



In the first quarter of 2013, the largest contribution to growth of prices for non-food products was made by the group “garments and footwear”, the prices thereof increased by 13.9 percent. According to the results of March 2013, prices for household articles and appliances increased by 9.4 percent. Prices for petroleum, oil and lubricants in annual terms increased by 2.8 percent, prices for gasoline increased by 2.5 percent, prices for diesel fuel increased by 5.2 percent.

**Chart 2.3.2. Contribution Dynamics of Prices for Non-Food Products to Annual CPI**

(percent)



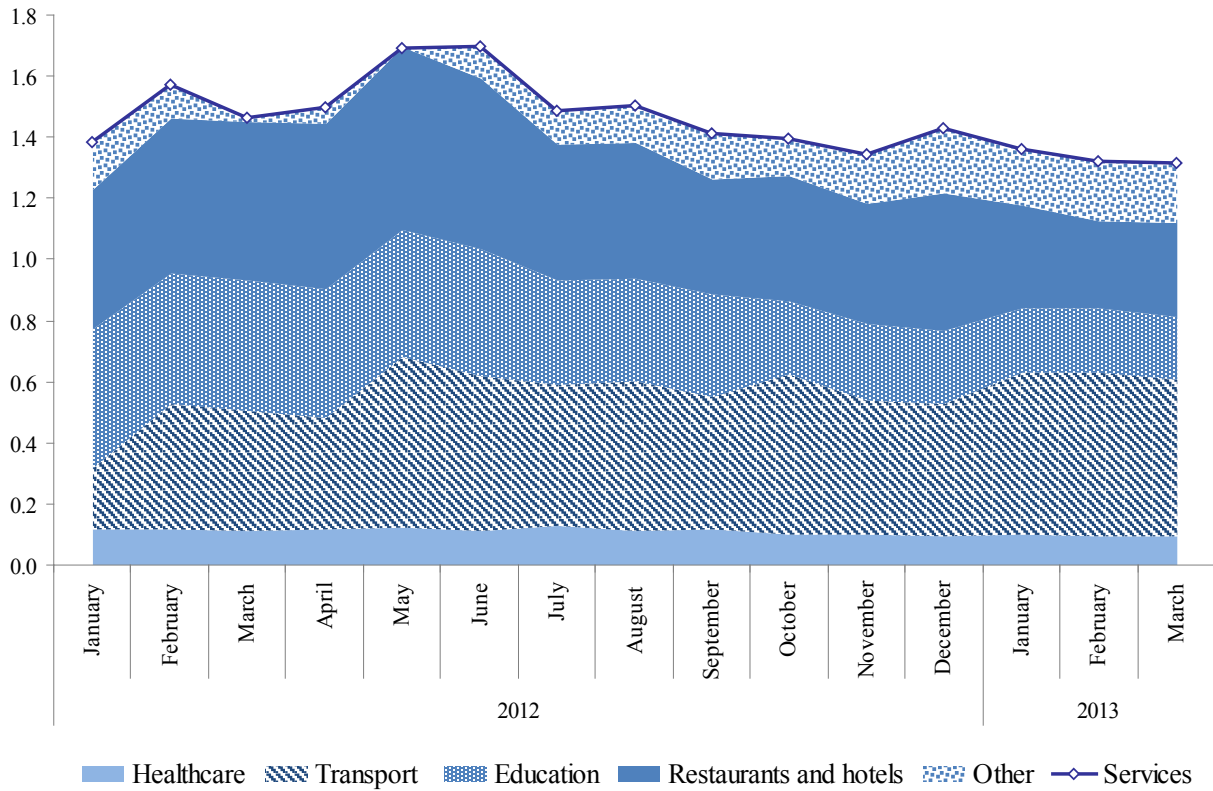
■ Garments and footwear ■ Household articles ■ Petroleum, oil, lubricants ■ Other ◆ Non-food products

### 2.4. Dynamics of Prices for Services

According to the results of March 2013, the price index for paid services increased in annual terms by 10.0 percent (in 2012 – by 9.9 percent). The index growth in this group occurred mainly due to the rise in prices for transportation services by 9.3 percent. Prices for services of restaurants and hotels rose by 11.5 percent, education service – by 8.4 percent, healthcare services – by 10.6 percent.

**Chart 2.4.1. Contribution Dynamics of Prices for Services to Annual CPI**

(percent)



CONTENT

## 2.5. Dynamics of Consumer Prices in Regions

As per results of the first quarter of 2013, the consumer prices in the regions of the republic increased by 1.5 percent, only in Osh oblast prices rose by 2.1 percent from the beginning of 2013.

**Table 2.5.1. Dynamics of Consumer Prices in Regions**

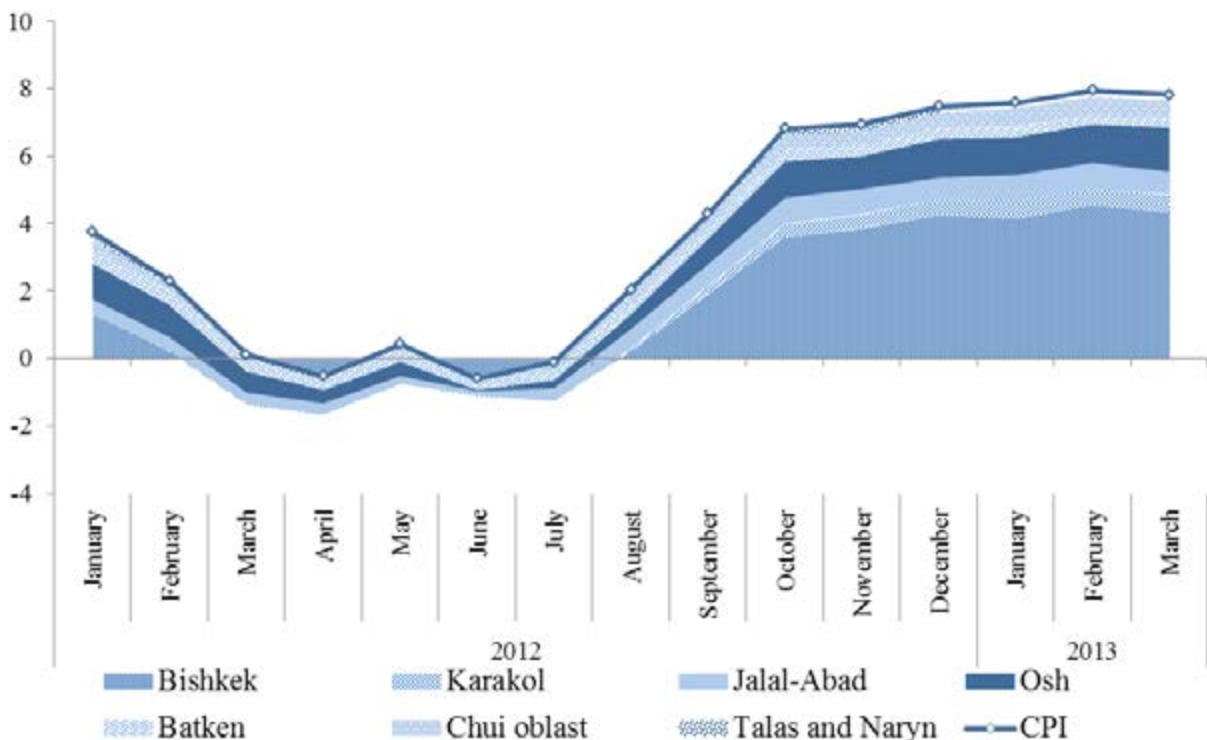
(percent)

	March 2013 κ		
	Marchy 2012	December 2012	February 2013
<b>CPI</b>	<b>107.8</b>	<b>101.1</b>	<b>99.9</b>
Barkent oblast	106.7	101.0	100.5
Jalal-Abad oblast	108.7	100.8	100.0
Issyk-Kul oblast	109.5	100.1	100.4
Naryn oblast	110.1	101.4	100.2
Osh oblast	109.2	102.1	100.5
Talas oblast	105.2	100.9	99.9
Chui oblast	106.6	100.9	99.7
Bishkek	107.5	101.1	99.8

In Bishkek city consumer prices increased by 7.5 percent, at that, the prices for food products rose by 5.5 percent, prices for strong drinks and tobacco products increased by 11.2 percent, for non-food products – by 7.9 percent and for paid services – by 9.9 percent.

**Chart 2.5.1. Regional Structure of Annual Inflation**

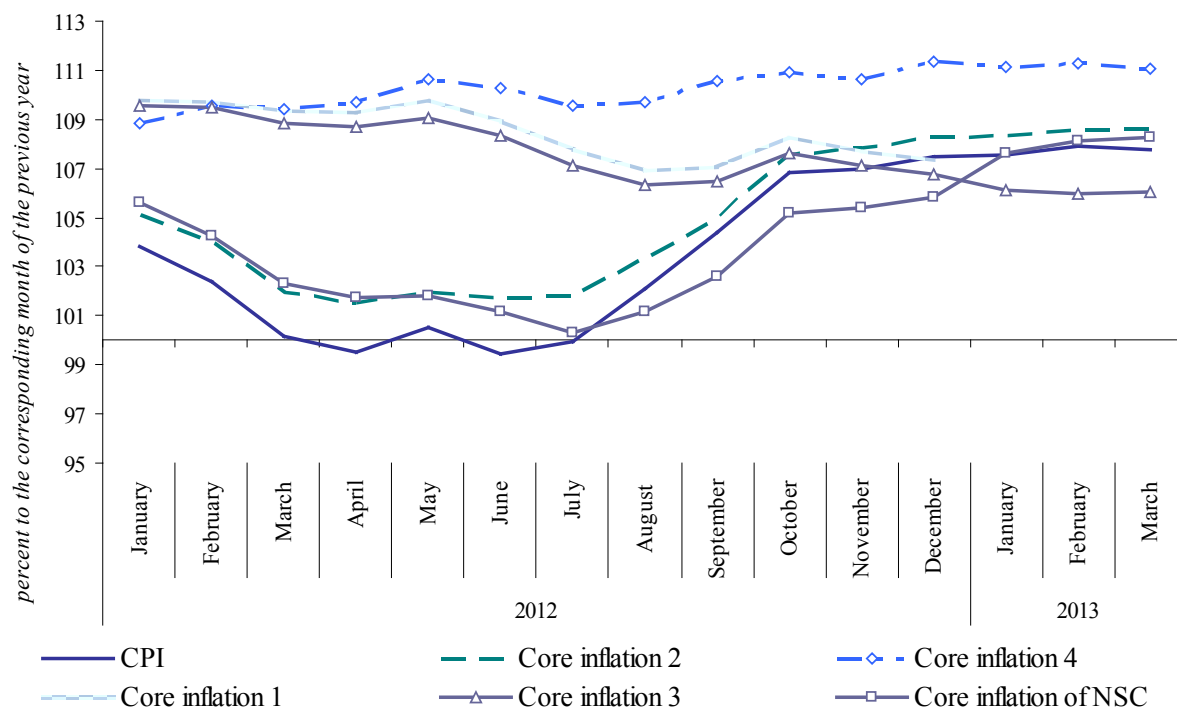
(percent)



## 2.6. Core Inflation

As per the results of March 2013, the annual value of the core inflation estimated in accordance with the methodology of the NSC KR amounted to 8.2 percent, while the “crude” inflation rate was 7.8 percent. It should be noted that the graphical representation of core inflation indicator 4 (completely excluding food products, electricity, gas and other types of fuel) indicates that the emerging trends in the food market are the determinants for the dynamics of consumer prices in the country. This indicator has a stable dynamics and a small dispersion of values.

**Chart 2.6.1. Annual Dynamics of the Estimated Core Inflation Indicator**



Core inflation 1 – excluded the following types of goods: (1) bakery products and cereals, (2) oils and fats, (3) fruits and vegetables, (4) gas, (5) materials for repair and construction.

Core inflation 2 - excluded the following types of goods: (1) meat, (2) fruits and vegetables, (3) gas, (4) materials for repair and construction.

Core inflation 3 - excluded the following types of goods: (1) bakery products and cereals, (2) dairy products, (3) fruits and vegetables, (4) gas, (5) materials for repair and construction.

Core inflation 4 - excluded all food products and electricity, gas and other fuels.

Core inflation of NSC - excluded milk, sugar, certain types of fruits and vegetables, strong drinks and tobacco products, petroleum products, product group “electricity, gas and other types of fuel”, passenger transport services, communication and some other.

## Chapter 3. World Commodity Markets Survey

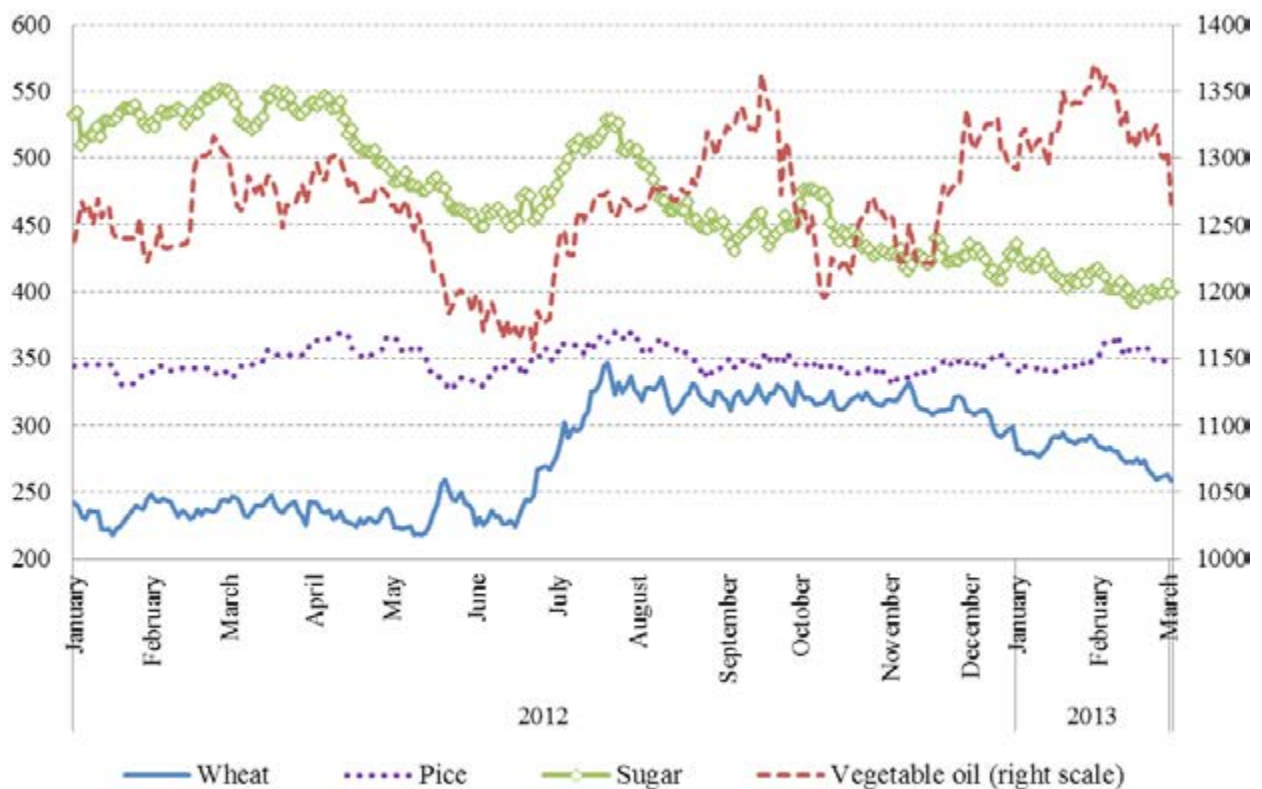
### 3.1. Survey of the World Commodity Market

Prices in the world commodity markets remain stable. In the first quarter of 2013, prices in the crops market were characterized by downward trend against expectations of the rich harvest in 2013-14 MY (July 2013-June 2014). In March 2013, the average value of the FAO price index for food products constituted 2012 points, having decreased by 1.7 percent as compared to the corresponding index in March of the last year and by 11 percent as compared to the highest level of February 2011.

According to the FAO analysts, the perspectives of the coming season are the following, significant production rehabilitation of the crops output is likely to be expected in 2013, if favorable weather will remain in the major producing countries. The main factors of production output rehabilitation will be extension of the planting acreage under conditions of favorable prices and yield recovery after low volumes of crops production in 2012.

**Chart. 3.1.1. Dynamics of the Food Products Prices in 2012-2013**

(USD per ton)



The RF Ministry of Agriculture confirmed the forecast for the crops harvest volume in 2013 amounting to 90-95 million tons against 70.9 million tones in 2012, at that, the volume of export in 2013 is expected at the level of 20 million tones. Pessimistic scenario was developed for crops harvest in 2013 at the level of 80 million tones and export – 14 million tones, within the framework of determining suggestions in respect of the strategy for implementation of crops interventions.

The majority of market analysts are sure that crops harvest in Russia in 2013 will be better compared to 2012 this fact is confirmed by good condition of winter crops in the south of Russia in the Black Sea area.



In the nearest future, the trends in the world food markets will not cause any rapid rise in prices or supply shortfall. Sustainability of the world food markets will be the basis for stable consumer prices in Kyrgyzstan.

### 3.2. Survey of the World Energy Markets

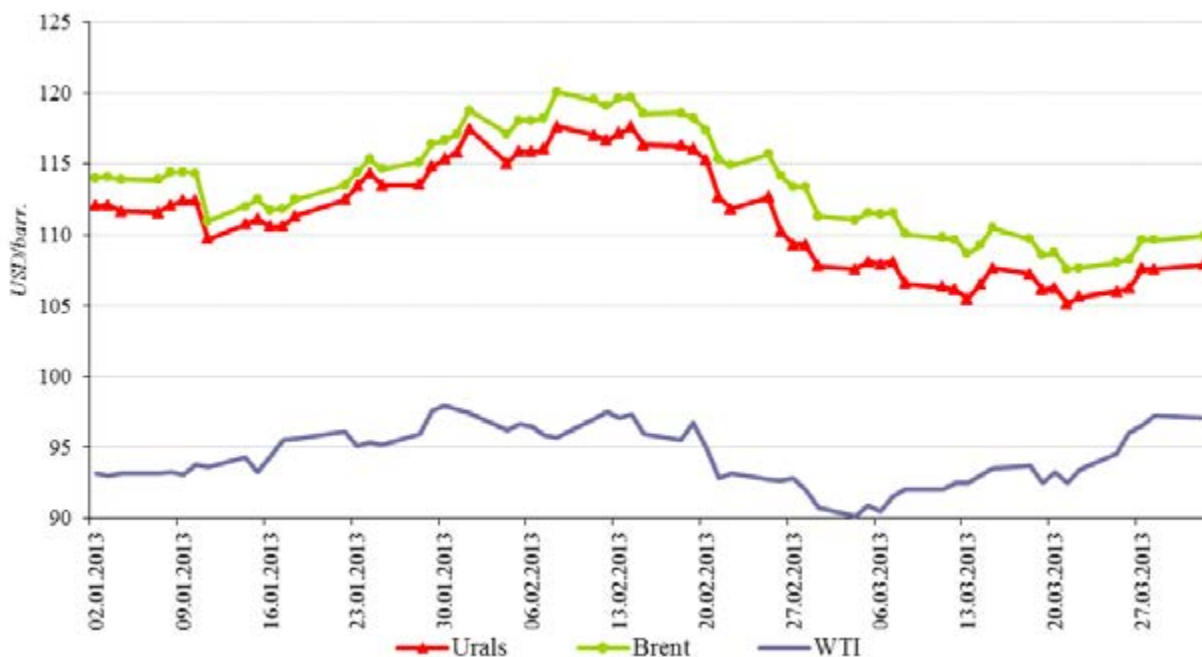
In the first quarter 2013, the world energy market was characterized by price volatility. Thus, in January and in the first half of February 2013, oil prices were characterized by upward trend.

In the second half of February 2013, rise in prices in the world market of oil slowed down against deceleration of economic growth: negative macrostatistics from the USA and China, as well as economic situation in Europe contributed to decline in prices for oil.

Generally, in January-March 2013, the prices for basic grades (Urals, Brent, WTI) fluctuated between 90.1 – 120.1 USD per barrel. At that, the average price for oil of “Brent” brand in the reviewed period amounted to 113.7 USD, having decreased by 1.5 percent compared to the corresponding index of 2012 (119.7 USD).

**Chart 3.2.1. Dynamics of Prices for Oil in January-March 2013**

*(USD per barrel)*



In the first quarter of 2013, prices for petroleum, oil and lubricants in Kyrgyzstan remained the same, at that, according to the data of the NSC KR, the average price for gasoline of AI-92 standard constituted 39.14 KGS, having increased by 6.1 percent compared to the corresponding index of 2012.

CONTENT

In January-March 2013, the average prices for diesel fuel did not significantly change and constituted 40.1 KGS, however, having increased by 6.8 percent as compared to the corresponding period of the last year.

21.2 thousand of tones of diesel fuel have been supplied for carrying out spring field works, i.e. 50.1 percent as the need may be (generally, 41.2 thousand of tones of diesel fuel will be needed). Interruptions in deliveries of petroleum, oil and lubricants are not observed, however, rise in prices for diesel fuel is expected just before carrying out spring field works conditioned by seasonal demand for diesel both in the domestic market and in Russia and Kazakhstan.

Despite expected slowdown in the world economic growth in the current year, the energy market analysts hold on to their forecasts on growth of the world prices for oil as per the results of the first half-year of 2013 against expected growth of the world oil consumption in the current year. According to the OPEC forecasts, specified in the updated monthly report, growth of the world oil consumption in 2013 is expected at 89.7 million barrel/day. Generally, experts expect the average prices for oil in 2013 in the range of 120-130 USD per barrel.

## Chapter 4. Monetary Policy Decisions of the National Bank of the Kyrgyz Republic

### 4.1. Major Decisions of the NBKR Board

The major monetary policy decisions of the National Bank of the Kyrgyz Republic Board (hereinafter referred to as the NBKR Board) approved in January-March 2013 are given below:

1. On February 27, 2013, in order to assess the current situation in the monetary sphere and analyze the economic development, the NBKR Board considered and approved report on monetary policy for 2012 (resolution №5/1), as well as monetary policy program for the coming period. Monetary program defines key directions of monetary policy in the short-term prospect, as well as indicative parameters for its implementation.

Abridged version of the report on monetary policy for 2012 for information purposes was sent to Jogorku Kenesh, President's Office, Government Office, Ministry of Finance and Ministry of Economy of the Kyrgyz Republic, as well as posted on the official website of the NBKR.

2. Due to introduction of the new Computer Assisted Trading System of the National Bank of the Kyrgyz Republic (hereinafter referred to as CATS) into commercial operation, on March 28, 2013 the NBKR Board approved the following regulations:
  - Regulation “On issue, placement, circulation and repayment of notes issued by the National Bank of the Kyrgyz Republic” (№10/6) for the purposes of regulating the procedure of issue, placement, circulation and repayment of the NBKR notes through the NBKR CATS;
  - Regulation “On “Overnight” credit of the National Bank of the Kyrgyz Republic” (№10/7) for the purposes of regulating the procedure of providing “overnight” credit by the NBKR through the NBKR CATS;
  - Regulation “On intraday credit of the National Bank of the Kyrgyz Republic” (№10/8) for the purposes of regulating the term and procedure of providing the intraday credit by the NBKR through the NBKR CATS;
  - Regulation “On custodian accounting of the government securities placed by means of the National Bank of the Kyrgyz Republic” (№10/9) for the purposes of regulating the procedure of custodian accounting of the government securities placed by means of the NBKR through the NBKR CATS;
  - Regulation “On the procedure of conducting by the National Bank of the Kyrgyz Republic repo-transactions on government securities of the Kyrgyz Republic” (№10/10) for the purposes of regulating the procedure of conducting repo-transactions on government securities with commercial banks of the Kyrgyz Republic through the NBKR CATS;
  - Regulation “On the procedure of conducting by the National Bank of the Kyrgyz Republic deposit transactions in the national currency” (№10/11) for the purposes of regulating the procedure of conducting by the NBKR deposit transactions in the national currency with commercial banks of the Kyrgyz Republic through the NBKR CATS;
  - Regulation “On the procedure of conducting by the National Bank of the Kyrgyz Republic deposit transactions in foreign currency” (№10/12) for the purposes of regulating the procedure of conducting by the NBKR deposit transactions in foreign currency with commercial banks of the Kyrgyz Republic through the NBKR CATS;

- Regulation “On the procedure of conducting swap transactions by the National Bank of the Kyrgyz Republic” (№10/13) for the purposes of regulating the procedure of conducting by the NBKR swap transactions in foreign currency with commercial banks of the Kyrgyz Republic through the NBKR CATS;
- Regulation “On the procedure of conducting by the National Bank of the Kyrgyz Republic operations on purchase of government securities of the Kyrgyz Republic in the secondary market under outright conditions (rediscount operations)” (№10/14) for the purposes of regulating the procedure of conducting by the NBKR operations on purchase of government securities in the secondary market from the commercial banks of the Kyrgyz Republic under outright conditions through the NBKR CATS;
- “Rules of determining official exchange rates of foreign currency to the Kyrgyz som” (№10/15) for the purposes of regulating the procedure of determining by the NBKR official exchange rates of foreign currency to the Kyrgyz som and the rules of declaring thereof;
- “Rules of conducting auctions in the interbank foreign exchange market through the computer assisted trading system of the National Bank of the Kyrgyz Republic” (№10/16) for the purposes of regulating the procedure of conducting operations in foreign currency in the interbank foreign exchange market of the Kyrgyz Republic through the NBKR CATS;
- “Rules of trading government securities in the secondary market of the Kyrgyz Republic through computer assisted trading system of the National Bank of the Kyrgyz Republic” (№10/17) for the purposes of regulating the procedure of conducting transactions with government securities in the secondary market of the Kyrgyz Republic through the NBKR CATS.

Standards of the aforementioned Regulations and Rules shall be applied since the moment of introduction of the Computer Assisted Trading System into commercial operation.

## 4.2. Major Decisions of the Monetary Regulation Committee

Monetary Regulation Committee (hereinafter referred to as the MRC) develops and takes operative decisions in the monetary sphere. The MRC takes decisions every week based on the situation assessment results in the monetary market. The volumes of operations on liquidity regulation in the banking system are determined by the MRC on the basis of the goals and objectives defined by the NBKR Board, specified in the Basic Guideline of Monetary Policy for 2013-2015, monetary program for the coming period, as well as taking into account the state of the banking system and the situation in the fiscal sphere.

In January-March 2013, 12 meetings were held by the MRC. Regulations of liquidity in the banking system were carried out through weekly auctions on the NBKR notes as well as through transactions for the sale of government securities under REPO terms for an additional exemption of excess reserves of commercial banks.

Within the framework of the monetary policy, the MRC increased the volume of the NBKR notes in circulation from 3.1 billion KGS as of the beginning of the year to 3.7 billion KGS as of the end of March 2013. The volume of government securities sold under REPO terms constituted 0.5 billion KGS (as of the beginning of the year – 0.8 billion KGS).

In order to increase the range of instruments for providing banking system with liquidity the NBKR Board approved Regulation “On the procedure of conducting by the National Bank of the Kyrgyz Republic credit auctions for refinancing purposes” (Resolution of the NBKR №42/3 dated November 14, 2012). Credit auctions conducted for refinancing purposes will allow extending the opportunities of the banks for supporting liquidity and crediting economy. In the first quarter 2013, one auction was held on refinancing credit to the amount of 95.0 million KGS.

## Chapter 5. Inflation Forecast

### 5.1. Forecast of Key Inflation Factor Dynamics

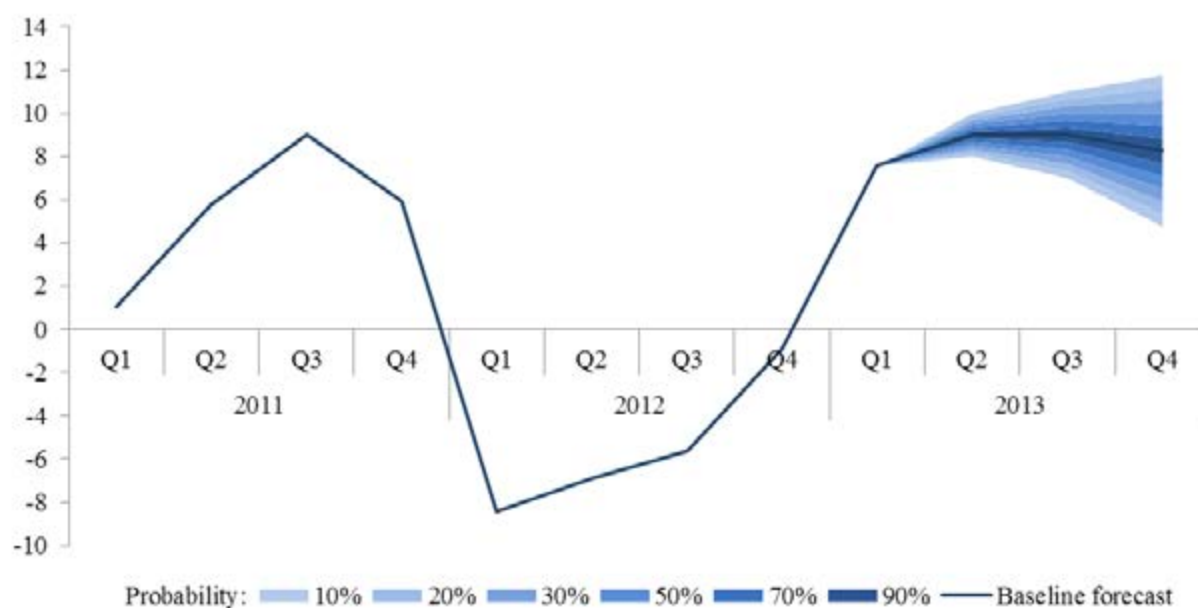
As per the results of January-March 2013, GDP growth amounted to 7.6 percent, meanwhile in January-March 2012, there was decrease of GDP to 8.4 percent. In January-March 2013, GDP growth is generally conditioned by rehabilitation of gold exploration at the deposit “Kumtor” and corresponding effect of low base. Exclusive of enterprises on exploration of gold-mining deposit “Kumtor”, the GDP growth constituted 4.9 percent.

Forecast of the economic development in the country for 2013 was developed on the basis of the following suggestions: preserving business activity as a minimum at the potential level, rehabilitation of gold exploration at the deposit “Kumtor”, supporting favorable conditions of trade with countries – major trade partners, enabling environment contributing to sustainable development of agriculture.

Taking into account these factors, the National Bank adheres to earlier developed forecast for GDP growth in 2013 at the level of 8.3 percent, GDP deflator is expected at the level of 10.0 percent, nominal volume of GDP is expected at the level of 362.4 billion KGS. The major positive contribution to GDP growth is expected from such sectors as manufacturing industry, construction and services.

#### Chart 5.1.1. Forecast of GDP Growth

*(percent, period from the beginning of the year to the corresponding period of the previous year)*



Economic development of Kyrgyzstan in the mid-term prospect depends on a number of internal (moderate growth rates of major sectors of economy, inclusive of preserving development of processing industry, stability of political situation in the country) and external factors (economic development in the countries – major trade partners, suffering the influence of price conjuncture in the world commodity markets). However, there is a risk of slowdown in economic development of the countries – major trade partners. Taking into account the current trend, the IMF adjusted forecast of the economic growth in Russia for 2013 from 3.7 percent to 3.4 percent, in China – from 8.1 percent to 8.0 percent.

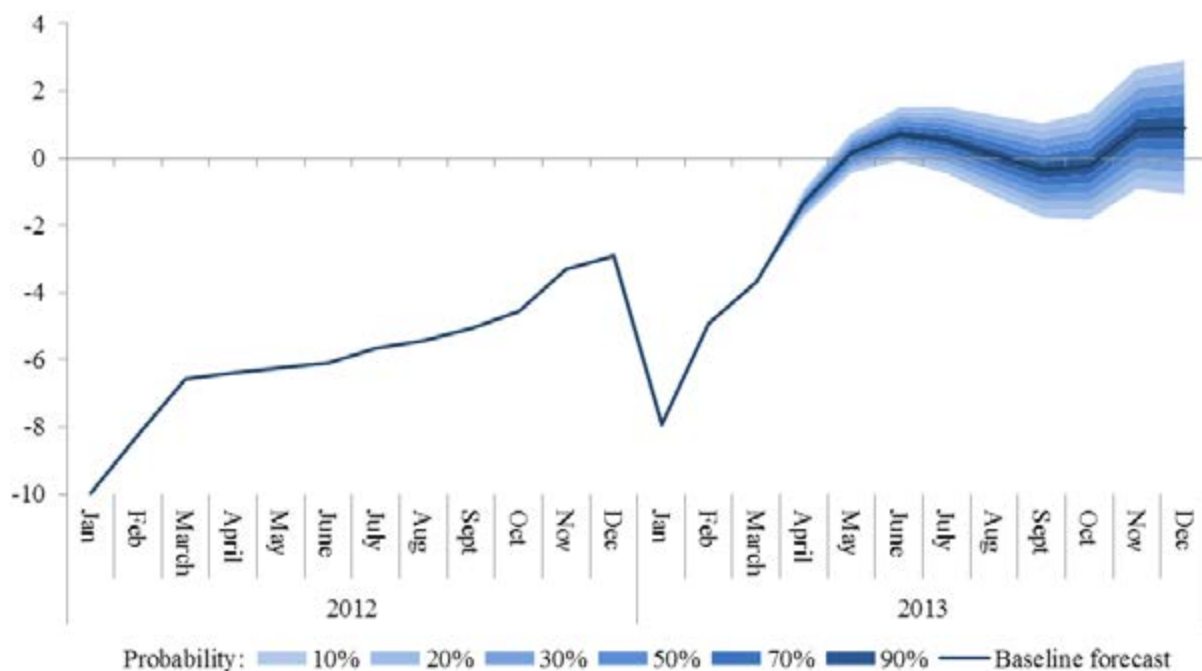
Forecast of the Government of the Kyrgyz Republic approved by Resolution №613 dated September 12, 2012, stipulates GDP growth in Kyrgyzstan for 2013 at the level of 7.0 percent, GDP deflator is expected within the limit of 8.4 percent, nominal volume of GDP is expected at the level of 354.4 billion KGS.

Calculation of gap between actual and potential GDP is carried out to assess macroeconomic potential of the country. In January-March 2013, there was negative gap indicating that industrial capacities of the countries were not completely involved in the economy of Kyrgyzstan within the reviewed period. The average volume of potential GDP exceeded actual GDP by 3.7 percent (GDP exclusive of informal sector) and by 9.8 percent (GDP inclusive of informal sector) within the period.

Taking into account preconditions included in the forecast of the National Bank of the Kyrgyz Republic, as per the results of 2013 positive GDP gap is more probable.

**Chart 5.1.2. Forecast of GDP Gap Exclusive of Informal Sector Assessments**

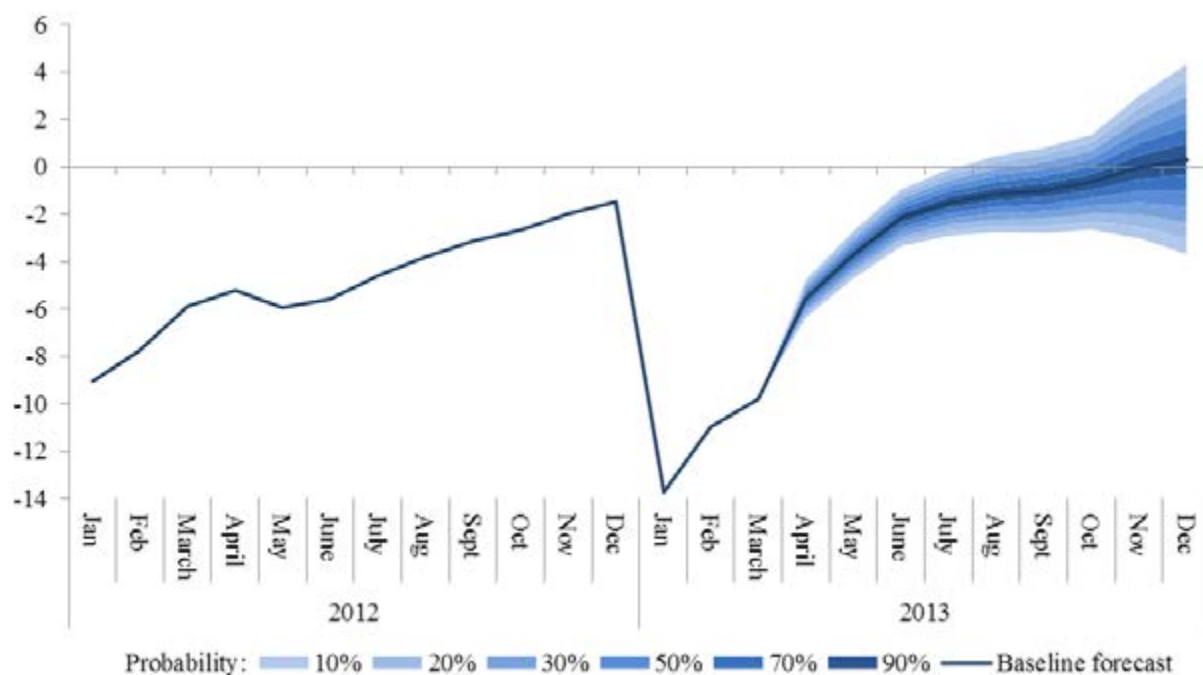
*(percent, period since the beginning of the year to the corresponding period of the previous year)*



CONTENT

**Chart 5.1.3. Forecast of GDP Gap Inclusive of Informal Sector Assessments**

(percent, period since the beginning of the year to the corresponding period of the previous year)



Forecasts of the National Bank of the Kyrgyz Republic regarding the real sector will be further adjusted depending on new data, expectations and trends of the economic development.

**5.2. Inflation Forecast for 2013**

In 2013, inflation forecast remained at the same level and is expected within the limits of unique index. At that, the current inflation forecast stipulates less significant, compared to earlier expectations, rise in prices for food products in the first half-year of 2013 and stable dynamics of prices in the second half of 2013. Stability of prices for food products in our regions is generally conditioned by favorable outcome in the situation with crops deficit in Russia.

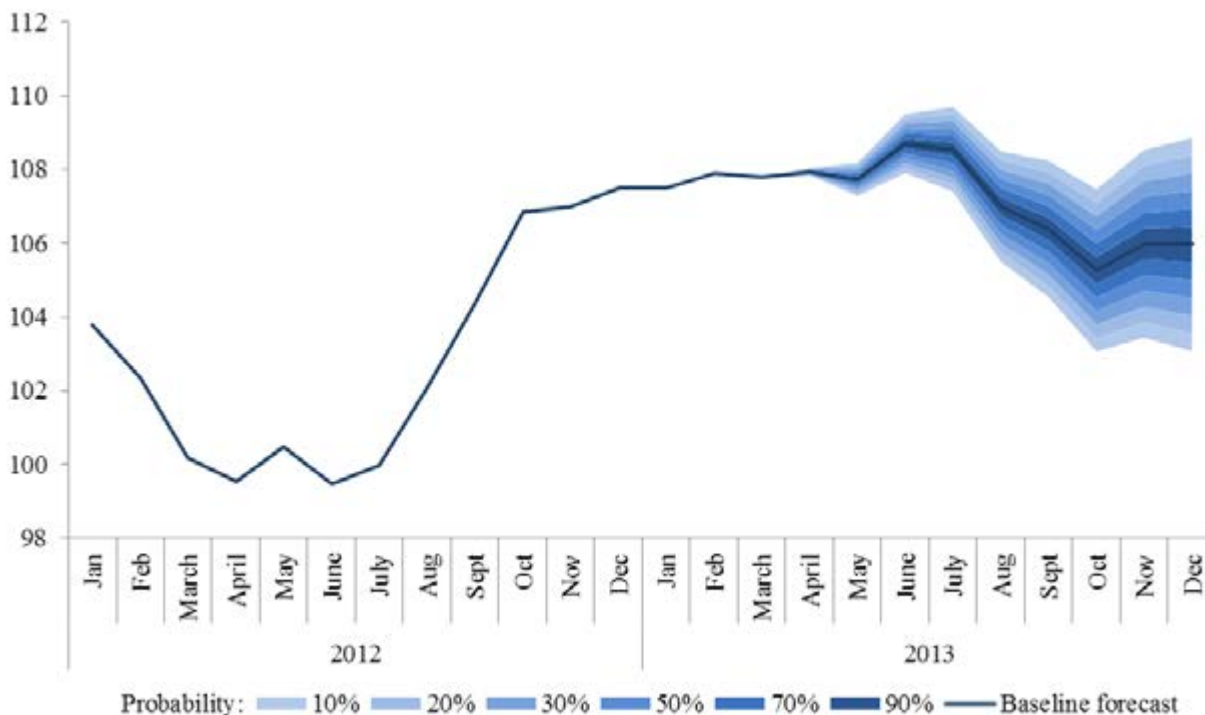
Current dynamics of prices for food products remains stable and is characterized by downward trend against expectations of rich harvest of major crop plants in 2013-14 MY (July 2013 – June 2014) both in the republic and in the countries – major trade partners.

Dynamics of prices for food products and paid services will remain within the limits of indicators in the last year: rise in prices for this group of goods is expected within the limits of 9-10 percent.



### Chart 5.2.1. Annual Inflation Forecast

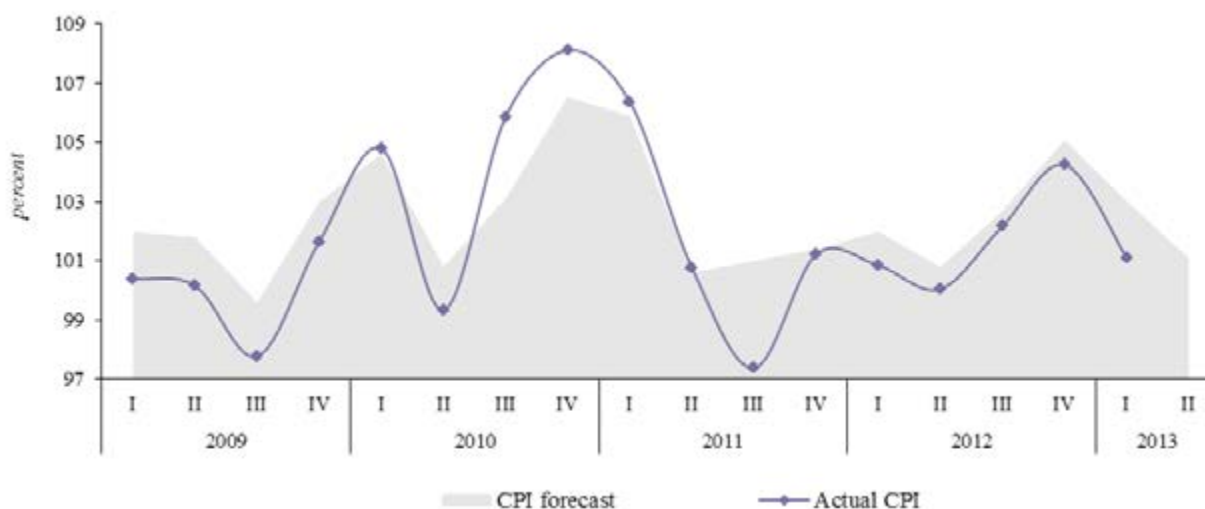
(percent, month to the corresponding month of the previous year)



In the first quarter of 2013, inflation was formed at the level of 1.1 percent below the NBKR forecasts published in the previous “Inflation Report in the Kyrgyz Republic”. In the first quarter 2013, inflation was formed under the influence of less significant against expectations rise in prices for food products.

In the second quarter of 2013, inflation forecast stipulates stability of prices for food products against expectations of rich harvest in 2013-14 MY. Generally, in the second quarter of 2013 inflation is expected at the level of 1.1 percent. In the second quarter of 2013, decline in prices for food products is expected under the influence of both seasonal factors and expectations of rich harvest in the new agricultural year (2013-14 MY).

### Chart 5.2.2. Comparison of Forecasted and Actual Inflation



**Statistical Annex**  
**Table 1. Consumer Price Index**  
*(month to the corresponding month, percent)*

	2012												2013		
	January	February	March	April	May	June	July	August	September	October	November	December	January	February	March
<b>Consumer price index</b>	100.8	100.1	100.1	99.8	100.7	99.6	100.1	100.9	101.1	101.9	100.8	101.5	100.8	100.4	99.9
Food products and soft drinks	100.6	99.3	99.5	98.8	100.1	98.7	99.6	101.3	100.8	102.6	101.3	101.8	101.4	100.2	99.5
Bakery products and cereals	98.2	98.7	99.3	99.5	99.0	99.3	101.9	107.4	100.7	104.4	100.6	100.2	100.1	100.4	100.0
Meat	101.9	99.9	98.7	99.4	99.7	99.3	99.6	99.9	99.8	101.3	99.9	99.5	99.7	100.0	100.2
Fish	102.2	100.1	101.1	102.2	100.8	99.8	101.4	101.5	102.9	104.8	101.5	100.2	99.9	100.2	100.1
Diary products, cheese and eggs	102.2	100.3	99.0	97.3	96.1	96.3	96.9	100.0	106.4	107.3	102.3	104.5	101.3	99.3	98.7
Oils and fats	100.0	99.4	99.6	99.0	99.0	99.7	99.8	100.1	101.1	101.2	99.9	100.4	100.1	99.7	100.0
Fruits and vegetables	103.4	98.5	101.3	94.6	102.9	95.6	95.3	91.6	102.8	102.6	108.6	112.5	107.8	100.3	97.1
Sugar, jam, honey, chocolate and eggs	101.2	99.5	100.1	99.6	104.4	99.2	98.2	99.3	98.1	99.0	100.1	100.5	99.9	99.9	99.4
Other food products	101.0	100.4	99.5	99.7	100.5	100.2	100.1	100.2	102.2	100.6	100.2	100.4	100.4	100.2	100.2
Soft drinks	101.0	101.2	98.8	100.6	100.3	100.5	100.0	100.7	100.1	100.4	100.0	100.9	103.4	102.0	100.4
<b>Strong drinks and tobacco products</b>	100.2	100.9	100.1	100.8	100.6	100.7	100.5	101.0	100.4	101.1	100.4	103.5	100.2	101.9	100.4
Strong drinks	100.1	101.2	100.0	100.9	100.5	100.2	100.2	101.3	100.5	101.4	100.5	104.8	100.0	102.4	100.2
Tobacco products	100.6	99.9	100.5	100.4	100.9	101.9	101.1	100.1	100.1	100.1	100.1	100.1	100.8	100.2	101.1
101.9	100.2	102.2	101.9	101.2	101.2	100.6	100.3	100.4	101.4	102.5	101.2	101.4	100.7	100.8	100.9
<b>Garments and footwear</b>	101.2	100.6	99.2	98.9	100.1	99.6	101.0	100.8	100.3	102.1	100.5	100.6	99.5	99.1	99.4
<b>Services for dwelling premises maintenance and repair, water supply, electricity, gas and other types of fuel</b>	101.0	101.2	100.5	100.9	101.2	100.8	99.9	100.8	100.9	101.1	100.6	100.7	100.4	100.9	100.9
<b>Household articles and household appliances</b>	101.5	101.4	100.5	100.7	101.1	99.4	102.8	100.4	101.2	99.7	100.3	100.3	103.5	100.5	100.2
<b>Healthcare</b>	99.4	100.3	99.9	100.0	105.5	100.2	101.1	101.0	99.9	100.2	100.3	100.2	100.0	100.4	100.3
Transport	99.4	98.3	99.9	100.4	100.2	99.1	100.3	101.2	100.1	102.1	101.4	99.9	99.2	99.5	99.5
Petroleum, oil, lubricants	100.0	100.0	100.0	100.0	100.0	100.0	100.2	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.9
<b>Communication</b>	100.4	101.1	101.2	101.2	98.7	100.1	100.4	101.8	101.4	100.5	100.2	100.9	100.3	101.3	100.2
<b>Recreation, entertainment and culture</b>	100.3	100.0	100.1	100.0	100.1	100.0	100.2	100.0	107.8	99.9	100.0	100.0	100.3	100.0	100.0
<b>Education</b>	102.9	102.1	100.5	100.7	101.7	100.0	100.7	100.0	101.8	102.2	100.0	102.2	100.4	100.3	101.0
<b>Restaurants and hotels</b>	101.1	100.5	100.5	100.7	100.9	100.0	100.1	100.5	102.6	100.6	100.3	100.8	100.4	100.2	100.2
<b>Various goods and services</b>	101.1	100.5	100.5	100.7	100.9	100.0	100.1	100.5	102.6	100.6	100.3	100.8	100.4	100.2	100.2

**Table 2. Consumer Price Index**  
(month to the corresponding month of the previous year, percent)

	2012												2013		
	January	February	March	April	May	June	July	August	September	October	November	December	January	February	March
<b>Consumer price index</b>	103.8	102.4	100.2	99.6	100.6	99.6	100.0	102.2	104.4	106.9	107.0	107.6	107.6	107.9	107.8
Food products and soft drinks	99.3	95.8	91.8	90.4	91.5	89.8	91.0	94.8	98.5	102.6	103.5	104.4	104.4	106.1	106.0
Bakery products and cereals	120.8	117.1	114.5	113.7	111.5	107.0	102.4	100.6	98.5	101.0	100.6	98.8	104.4	113.1	114.0
Meat	115.1	114.2	114.4	116.5	117.8	116.6	117.6	119.3	122.2	123.8	122.7	119.9	117.2	117.4	116.3
Fish	107.3	105.4	107.7	106.3	105.0	103.9	103.9	103.1	105.0	108.1	108.0	107.9	107.0	105.9	105.6
Dairy products, cheese and eggs	105.0	104.2	101.2	98.9	97.1	97.4	96.9	97.0	98.0	98.9	99.0	99.1	99.3	99.6	99.9
Oils and fats	76.0	73.4	70.7	68.0	74.6	70.2	78.2	89.7	103.9	104.1	103.6	108.1	112.6	114.7	109.9
Fruits and vegetables	98.3	93.5	92.4	91.3	95.4	94.2	90.6	86.3	91.6	97.0	98.7	98.9	97.6	98.0	97.3
Sugar, jam, honey, chocolate and candies	107.6	105.4	105.9	105.4	105.8	105.7	105.2	103.7	104.3	104.8	104.8	105.0	104.4	104.2	104.9
Other food products	110.6	110.9	106.7	106.2	107.4	105.0	104.1	104.2	103.8	104.0	104.5	104.4	106.9	107.8	109.6
Soft drinks	109.8	110.6	109.8	110.6	110.5	110.3	109.0	109.3	109.0	109.0	107.9	110.6	110.5	111.7	112.0
<b>Strong drinks and tobacco products</b>	108.8	110.1	109.9	111.0	110.7	110.2	108.0	108.8	108.8	108.3	108.5	112.3	112.2	113.5	113.7
Strong drinks	112.3	112.0	109.4	109.5	110.0	110.9	111.4	110.7	110.5	109.3	106.5	105.9	106.1	106.4	107.1
Tobacco products	113.8	112.4	112.9	112.6	112.7	112.7	112.4	111.8	113.2	115.3	116.1	116.0	114.7	115.4	113.9
<b>Garments and footwear</b>	103.3	104.6	104.7	104.8	106.9	106.0	106.8	107.5	107.2	110.4	108.0	105.2	103.4	101.8	102.0
<b>Services for dwelling premises maintenance and repair, water supply, electricity, gas and other types of fuel</b>	112.5	112.7	112.7	112.9	113.9	113.3	110.8	109.9	110.6	110.4	109.4	110.0	109.3	109.0	109.4
Household articles, household appliances	112.0	112.0	111.7	112.1	112.6	111.2	113.4	111.6	111.9	110.3	110.4	109.7	111.9	110.9	110.6
Healthcare	103.4	106.9	106.6	106.2	109.5	108.6	108.0	108.9	108.0	109.5	108.1	108.1	108.7	108.9	109.3
Transport	99.0	110.4	111.1	110.3	106.3	103.7	100.8	100.0	100.3	103.0	103.7	102.2	101.9	103.2	102.8
Petroleum, oil, lubricants	103.1	103.1	100.0	100.0	100.0	100.0	100.2	100.2	100.2	100.2	100.2	100.2	100.2	100.2	101.1
<b>Communication</b>	111.5	111.9	111.4	112.3	110.0	110.1	109.1	108.5	109.8	109.4	107.8	108.2	108.1	108.3	107.3
<b>Recreation, entertainment and culture</b>	116.0	114.9	114.9	114.9	114.8	114.8	112.1	112.2	111.8	108.5	108.6	108.4	108.5	108.5	108.4
Education	115.9	118.0	118.4	119.0	120.9	119.5	115.4	115.4	113.0	114.1	113.7	115.8	112.9	110.9	111.5
Restaurants and hotels	106.4	106.5	106.6	106.5	107.1	106.8	106.1	105.8	109.0	109.2	108.8	108.9	108.1	107.9	107.6
Various goods and services															

**Table 3. Indices of prices and physical volume of imports in January-February 2013**

Product name	2 mon. 2013	2 mon. 2012	2 mon. 2012	Indices		
	mln. USD	mln. USD	mln. USD	price	phys. vol.	value
	n13*p13	n13*p12	n12*p12	A/B	B/C	A/C
	A	B	C			
Petroleum, petroleum products and related materials	171.7	169.6	155.4	1.01	1.09	1.11
Cast-iron and steel	30.3	33.1	23.1	0.91	1.44	1.31
Natural gas in gaseous state	22.0	20.7	21.1	1.06	0.98	1.04
Medicaments	20.8	21.0	19.8	0.99	1.06	1.05
Crops (including eincorn) and mangcorn, unmilled	20.7	10.5	11.7	1.98	0.90	1.78
Vehicles for cargo transportation and vehicles of special assignment	15.7	10.6	9.8	1.48	1.09	1.61
Essential oils, resinoids and perfume materials	13.5	12.9	10.2	1.05	1.26	1.33
Coffee, tea, cocoa, spices and other products	13.3	13.7	11.6	0.98	1.18	1.15
Rubber tires	13.0	8.4	9.2	1.55	0.92	1.42
Fertilizers	10.9	11.7	13.0	0.93	0.90	0.83
Paper, cardboard and products made of paper stock, paper and cardboard	10.8	10.2	8.1	1.06	1.26	1.33
Sugar, sugar products and honey	10.3	9.7	13.3	1.07	0.73	0.78
Food products and preparations not included into other categories	9.4	13.2	7.5	0.71	1.78	1.27
Inorganic chemicals	9.4	11.4	6.7	0.83	1.70	1.40
Vegetable oils and fats, raw materials, refined or fractionated	8.6	8.2	7.3	1.05	1.12	1.17
Self-contained mechanical shovels, excavators and scoop loaders	8.3	3.1	1.4	2.71	2.12	5.75
Stone, sand and gravel	8.2	5.0	0.5	1.65	10.51	17.31
Electric wire telephone or telegraph sets	7.9	13.3	14.1	0.60	0.94	0.56
Meat and meat products	7.9	6.7	12.5	1.18	0.53	0.63
Coal, coke and briquette	7.8	7.7	8.2	1.01	0.94	0.95
Coarse flour, low-ground flour, wheat and mangcorn flour	7.2	5.0	4.8	1.43	1.05	1.51
Woven fabrics made of artificial textile materials	6.9	3.8	6.2	1.80	0.61	1.10
Vegetables and fruits	6.3	5.8	6.5	1.08	0.89	0.96
Sawed or spitted lengthwise conifer wood	6.1	7.0	3.4	0.88	2.03	1.78
Plastics in non-prime form	6.1	6.3	9.3	0.97	0.68	0.66
Footwear with rubber or synthetic sole and upper	5.8	5.1	4.1	1.14	1.24	1.41
Products from grain and products from flour or fruit or vegetable starch	5.4	4.5	5.3	1.20	0.84	1.01
Dishwashers; machines for filling, capping caps	5.2	1.5	1.3	3.56	1.12	3.97
Tractors	4.8	5.0	1.3	0.97	3.89	3.78
Imperfect metal products not included into other categories	4.8	4.6	5.4	1.05	0.85	0.89
Plastics in prime form	4.6	4.1	3.1	1.11	1.32	1.47
Compressed wood and restored wood	4.3	4.0	7.3	1.08	0.55	0.59
Cars and vehicles for transportation of people	4.1	5.7	1.9	0.72	3.06	2.20
Reciprocating internal combustion engines for vehicles	4.1	0.7	0.3	6.09	2.03	12.34
Jackets, pullovers, cardigans, waistcoats and similar knitted or crocheted articles	3.9	2.9	2.1	1.33	1.43	1.90
Electrical distribution equipment not included into other categories	3.6	2.3	1.5	1.54	1.53	2.36
Machines for automatic data processing and their blocks	3.5	4.4	2.6	0.78	1.73	1.35
Strong drinks	3.1	3.6	3.1	0.86	1.14	0.98
Margarine and combined fats	2.9	3.0	2.8	0.97	1.05	1.01
Sugar-sweetened mineral water and soft drinks	2.7	2.9	2.4	0.95	1.19	1.13
Filtering and purifying machinery for liquids or gases	2.4	1.0	1.4	2.48	0.68	1.69
Floor coverings	2.4	2.2	1.9	1.09	1.17	1.27
Coloring and tanning matters and dyes	2.3	2.7	1.7	0.87	1.58	1.38
TV receiver	2.3	1.7	1.0	1.34	1.76	2.35
Fittings and fastenings for railway and tram lines	2.3	2.3	0.8	1.02	2.84	2.91
Trousers, coveralls, breeches and shorts	2.3	1.6	1.5	1.46	1.08	1.57
Glazed ceramic tiles	2.3	1.5	1.5	1.51	0.99	1.50
Other minerals	2.3	2.2	0.8	1.01	2.71	2.73
Nails, screws, nuts, bolts, rivets, etc. of iron, steel or copper	2.2	2.2	1.4	1.01	1.62	1.64
Ready additives for mineral oils	2.2	1.7	1.3	1.31	1.30	1.71
Batteries and electric accumulators; their spare parts	2.2	0.1	1.6	25.75	0.05	1.41
Electric accumulators	2.2	1.9	1.5	1.14	1.24	1.42
Fish, crustacean mollusks and aquatic invertebrates	2.1	1.9	2.4	1.08	0.79	0.85
Electric and heat devices not included into other categories	2.1	2.8	2.5	0.73	1.11	0.82
Milk, cream and dairy products, except butter and cheese	2.0	1.9	1.8	1.05	1.09	1.14
Self-contained bulldozers, road graders and land levelers	2.0	0.7	0.3	2.84	2.33	6.62
Various chemical products not included into other categories	2.0	3.6	1.8	0.54	1.98	1.07
Design and construction elements of cast iron not included into other categories	1.9	1.6	2.4	1.20	0.65	0.79
Insecticides, rodenticides, fungicides, herbicides	1.8	1.9	1.6	0.93	1.22	1.14
Knitted or crocheted garments for women and girls	1.7	1.2	1.8	1.47	0.65	0.96
Hardboard	1.7	1.7	1.9	0.95	0.93	0.88
<b>Nomenclature Total (mln, USD)</b>	<b>560.5</b>	<b>521.2</b>	<b>472.0</b>	<b>1.08</b>	<b>1.10</b>	<b>1.19</b>
<b>Nomenclature Total (% of total exports)</b>	<b>75%</b>		<b>68%</b>			
<b>Total export</b>	<b>746.0</b>		<b>691.0</b>			

According to the NSC at FOB prices; the Table demonstrates the first 61 export large items

n - physical volume of goods imports

p - estimated import price of the goods

**Table 4. Indices of prices and physical volume of exports for January-February 2013**

<i>Product name</i>	<i>2 mon. 2013</i>	<i>2 mon. 2012</i>	<i>2 mon. 2012</i>	<i>Indices</i>		
	<i>mln. USD</i>	<i>mln. USD</i>	<i>mln. USD</i>	<i>price</i>	<i>phys. vol.</i>	<i>value</i>
	<i>n13*p13</i>	<i>n13*p12</i>	<i>n12*p12</i>			
	<b>A</b>	<b>B</b>	<b>C</b>	<b>A/B</b>	<b>B/C</b>	<b>A/C</b>
Gold, nonmonetary	48.3	47.9	96.3	1.01	0.50	0.50
Petroleum, petroleum products and related materials	24.9	24.7	15.4	1.01	1.60	1.61
Vegetables and fruits	15.2	13.0	14.5	1.17	0.90	1.05
Vehicles for cargo transportation and vehicles of special assignment	7.7	3.1	2.9	2.53	1.07	2.70
Inorganic chemicals	5.8	6.6	2.5	0.88	2.66	2.34
Cotton	4.5	5.1	9.7	0.89	0.52	0.46
Incandescent lamps	4.3	4.5	3.2	0.94	1.40	1.32
Rubber tires	3.3	47.4	1.8	0.07	26.49	1.84
Various base metals used in metallurgy, and cermets	2.8	3.2	1.7	0.89	1.90	1.68
Cast-iron and steel	2.2	4.2	3.9	0.53	1.07	0.57
Metal scrap and waste of precious non-ferrous metals	2.2	2.6	1.2	0.84	2.27	1.90
Dresses	2.1	3.3	2.2	0.63	1.56	0.98
Blouses, jackets and jacket-blouses	1.9	2.9	1.5	0.64	1.96	1.25
Live animals	1.9	1.2	1.5	1.53	0.83	1.27
Meat and meat products	1.7	0.4	0.6	4.51	0.59	2.64
Hosiery, knitted or crocheted	1.7	2.1	1.4	0.78	1.50	1.17
Paper, cardboard and products made of paper stock, paper and cardboard	1.3	1.4	1.4	0.94	1.00	0.94
Metal scrap and waste of precious non-ferrous metals	1.1	1.3	0.9	0.85	1.57	1.34
Food products and preparations not included into other categories	1.0	5.5	0.9	0.18	6.39	1.12
Trousers, coveralls, breeches and shorts	1.0	1.3	1.5	0.71	0.93	0.66
Fittings and fastenings for railway and tram lines	0.9	1.4	0.5	0.62	2.81	1.76
Cars and vehicles for transportation of people	0.9	1.0	0.4	0.91	2.16	1.96
Hand and machine tools	0.9	0.6	0.7	1.38	0.91	1.26
Self-contained mechanical shovels, excavators and scoop loaders	0.8	0.1	0.1	6.83	1.60	10.93
Portlandcement, cement	0.8	0.8	1.1	1.07	0.67	0.72
Trousers, coveralls, breeches and shorts	0.8	1.3	0.9	0.59	1.47	0.87
Knitted or crocheted garments for women and girls	0.8	1.1	3.1	0.73	0.34	0.25
Jackets, pullovers, cardigans, waistcoats and similar articles	0.7	0.9	1.4	0.81	0.60	0.49
Worked building stone, dimension stones	0.7	0.7	0.3	1.03	2.18	2.24
Glass containers; glass corks; glass products for thermoses	0.6	0.6	0.2	1.05	2.84	2.99
Skins of bovine or equine hides and rawhide	0.6	0.8	1.2	0.77	0.65	0.50
Reciprocating internal combustion engines for vehicles	0.6	0.2	0.2	2.20	1.00	2.20
Coffee, tea, cocoa, spices and their products	0.5	0.7	0.6	0.77	1.20	0.93
<b>Nomenclature Total (mln, USD)</b>	<b>144.2</b>	<b>191.9</b>	<b>175.4</b>	<b>0.75</b>	<b>1.09</b>	<b>0.82</b>
<b>Nomenclature Total (% of total exports)</b>	<b>81%</b>		<b>78%</b>			
<b>Total export</b>	<b>178.7</b>		<b>223.8</b>			

According to the NSC at FOB prices; the Table demonstrates the first 33 export large items

n - physical volume of goods imports

p - estimated import price of the goods

## Glossary

**Core inflation** is inflation which excludes short-term, structural and seasonal changes of prices. That is, the growth in prices of goods due to seasonal and external factors (such as poor harvest, the price shock in the market of oil products, the administrative changes in tariffs for gas and electricity, etc.) is excluded from the calculation of the inflation rate.

NBKR calculates the core inflation dynamics by the method of simple exclusions. The given method means the exclusion from the CPI of specific categories or an entire group of goods and services which prices are highly sensitive to shocks. Traditionally, such goods include some food products, energy resources and tariffs established by the Government.

From April 2010 the National Statistics Committee of KR started the calculation of core inflation using the method of simple exclusions (according to the approved method No. 9 dated April 29, 2010). Such goods as milk, sugar, certain types of fruits and vegetables, alcoholic and tobacco products, petroleum products, product group “electricity, gas and other fuels”, passenger transport and communication services, and others are excluded in calculation. In general, the proportion of excluded goods is 25 percent of the total consumer goods basket.

**Discount rate** is the tool used as the basic reference point when determining the value of monetary resources in the economy. The size of the discount rate is equal to the average value of the yield of 28-day NBKR Notes for the recent 4 auctions on allocation of the NBKR Notes.

**Inflation** represents the increase in the general level of consumer prices in the economy. The consumer price index is used to quantitatively estimate the rate of inflation. The CPI shows the change in the price level for the goods and services purchased by the population for non-productive consumption. The prices of buyers of 342 selected goods and services are used when calculating the index, the sample size is up to 45 thousand prices per month for 1496 enterprises of trade and services in seven urban and two regional centers.

**GDP deflator** is a composite index of the economy branches prices characterizing the GDP change with regard to growth of prices in the economy. GDP deflator is calculated as the proportion between nominal GDP in prices of the current year against GDP rate of the previous year.

**GSCI-ag (Goldman Sachs Commodity Index-agricultural)** – index of prices for actively traded future contracts for food (agricultural) products – developed by the investment bank “Goldman Sachs” in order to present these exchange goods as a single group.

**Monetary aggregate** is the money supply classified according to degrees of liquidity: M0; M1; M2; M2X.

**M0** – currency in hands.

**M1** – M0 + demand deposits in national currency.

**M2** – M1 + time deposits in national currency.

**M2X** – M2 + deposits in foreign currency.

**Monetary base** – obligations of the National Bank on cash in circulation, and the obligations of the National Bank to other depository corporations in the national currency of the Kyrgyz Republic.

**Money in circulation** – the cash money in circulation, issued by the National Bank of the Kyrgyz Republic, except for the cash in the NBKR cash desks.

**NBKR Repo Operations** – operations on purchase (direct repo)/sale (reverse repo) of government securities with the obligation to sell them back/purchase on the specified date in future at the predetermined price.

**Non-financial assets** include the following categories of economic assets: fixed assets, stocks of tangible current assets, valuables and non-produced assets (natural and intangible assets).

**Notes** are the government short-term securities issued by the NBKR for 7, 14, 28, 91 and 182 days through the weekly auctions. The profitability rate is determined depending on the supply and the demand on the part of commercial banks. The goal of conducting the auctions of notes is the withdrawal of liquidity in national currency from the banking system.

**Other depositary corporations** – all resident financial corporations, except for the central bank, which activities are aimed at financial intermediation and which issue obligations included into the national definition of the broad money stock (M2X).

**Output gap (or GDP gap)** is the difference between potential and actual GDP volume. The output gap may serve as an indicator of activation or stagnation of the economy. If actual GDP is less potential ( $y < y^*$ ), then it is assumed that there is so-called “recessionary gap” in the economy, which indicates the possible existence of deflationary processes. And vice-versa, if actual GDP is greater than the potential one ( $y > y^*$ ), then it is assumed that the growth of aggregate demand exceeds aggregate supply growth, which contributes to increased inflationary pressure.

GDP gap is calculated as actual-potential GDP ratio:

$$GAP_t = \frac{GDP_t}{GDP\_POT} - 1, \text{ where:}$$

$GAP_t$  - GDP gap at the moment t;

$GDP_t$  - actual GDP at the moment t;

$GDP\_POT$  - potential GDP.

**“Overnight” credit** is given in national currency for one day, upon the collateral, to support short-term liquidity of the bank. Government securities of the Kyrgyz Republic placed through the NBKR, with maturity up to 12 months from the date of “overnight” credit are accepted as collateral. The interest rate is set at the rate of 1.2 of the NBKR discount rate. The credit is used on the initiative of the commercial bank.

**Producer price index** measures the average changes in selling prices received by domestic producers for their products. Information used in the calculation of the PPI is collected from 148 enterprises that represent almost every branch in the industrial sector of the economy. The list of enterprises includes those most typical for the given industry, characteristic for the given region, and irrespective of patterns of ownership.

**Refinancing credit** – credit resources/monetary funds provided by the NBKR to the banks by means of conducting credit auction for purposes of refinancing and liquidity support. Refinancing credit is extended to the banks on conditions of maturity (from 1 to 6 months), interest payment and repayment, at the fixed interest rate, with state securities of the Kyrgyz Republic provided as collateral. Terms and volumes of credits to be provided are determined by the resolution of the NBKR Monetary Policy Committee.

**Renewable State Treasury Bills for settlement** are the coupon securities with maturities of 3, 6- and 12-months issued by the Ministry of Finance as a result of restructuring the debt of the Government of the Kyrgyz Republic to the NBKR. The renewable nature of these securities means the following: on the day of redemption of ST-Bill(s) in the NBKR portfolio, the Ministry of Finance simultaneously with the redemption issues new series of ST-Bill(s) in favor of the NBKR in number equal to the number of redeemable securities.

**State budget operating expenditures** – all the operations that lead to a decrease in the net value of assets of the government sector, except for operations on purchase of non- financial assets.

**State Treasury Bills** are the short-term (3-, 6-, 12-month) discount government securities of the Government of the Kyrgyz Republic. The Ministry of Finance is the emitter of ST-Bills. Placing issues of ST-Bills is made through weekly auctions conducted by the NBKR. Direct participants (primary dealers, finance and credit institutions that have entered into an agreement with the NBKR) enjoy the right to participate in the auctions. The owners of ST-Bills of the Kyrgyz Republic can be both legal entities and individuals. The admission of foreign investors to the market of ST-Bills is not limited. The transactions in the secondary market of ST-Bills are conducted through the electronic trading system of the NBKR, which allows the primary dealers and their clients to conduct transactions on purchase/sale of ST-Bills from their workplaces.

**State Treasury Bonds** are the long-term government securities of the Government of the Kyrgyz Republic with the interest income (coupon) and maturity over 1 year. The emitter of ST-Bonds is the Ministry of Finance. The NBKR is the general agent servicing issues of ST-Bonds.

**Structure of money income of the population by quintile groups** reflects the differentiation of the population by size of income into five (quintile) groups, each of which consists of 20 percent of the population. This approach of determination of the population income involves division of the ranged total population into five equal groups, thus determining the proportion of the total income of society attributable to the population group with the highest income or the group with the lowest income.

**Swap operations** – operations for the exchange of cash in national currency for an equivalent amount in foreign currency or vice versa, with the obligation of the reverse exchange of principal amounts and accrued interest on pre-specified conditions.



## Abbreviations

CIF	Cost on the importer's border (Cost, Insurance, Freight)
CIS	Commonwealth of Independent States
CPI	Consumer Price Index
FOB	Cost on exporter's border (Free on Board)
GDP	Gross Domestic Product
GSCI-ag	Goldman Sachs Commodity Index-agricultural
KR	Kyrgyz Republic
LLC	Limited Liability Company
MoA	Ministry of Agriculture
MRC	Monetary Regulation Committee
MY	Marketing year
NBFI	Non-banking financial institution
NBKR	National Bank of the Kyrgyz Republic
NCOSh	Non-commercial organizations servicing households
NSC	National Statistics Committee
POL	Petroleum, oil, lubricants
PPI	Producer Price Index
SCS	State Customs Service under the KR Government
SE	State Enterprise
ST-Bills	State Treasury Bills
ST-Bills(s)	State Treasury Bills for settlement
ST-Bonds	State Treasury Bonds
USA	United States of America