

National Bank of the Kyrgyz Republic

Inflation Report

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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 Kyrgyz, Russian and English languages.

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Other Publications of the National Bank of the Kyrgyz Republic

Annual Report of the National Bank of the Kyrgyz Republic

This publication is a last year statement of the National Bank of the Kyrgyz Republic (NBKR). It contains brief information about the country's economic development and monetary policy, financial statements of the NBKR, general information about the NBKR, and statistic annexes. It is published in Kyrgyz, Russian and English languages.

Bulletin of the National Bank of the Kyrgyz Republic

This monthly publication contains statistic data for major macroeconomic indicators and sectors of economy of the Kyrgyz Republic. It is published in Kyrgyz, Russian and English languages.

Balance of Payments of the Kyrgyz Republic

Balance of Payments of the Kyrgyz Republic reflects trends of external sector development, data of the payment balance, foreign trade, international reserves, external debt, and international investment position of the Kyrgyz Republic. It is published on quarterly basis in January, May, July, and October in Kyrgyz, Russian and English languages.

Banking System Development Trends

This publication provides an analysis and assessment of the development of Kyrgyz banking system as a financial intermediary, and components of its stability. It is published semiannually in Kyrgyz, Russian and English languages.

Statutory Acts of the National Bank of the Kyrgyz Republic

The objective of this document is to officially publish the statutory acts of the NBKR in order to provide commercial banks and general public with regulatory documents and information about NBKR activities, and to popularize the banking legislation of the Kyrgyz Republic. It is published, as a rule, once a month in Kyrgyz and Russian languages.

Press Release of the National Bank of the Kyrgyz Republic

Press Release of the NBKR contains the description of events related to the National Bank and banking system, major financial market data for the week and other information for mass media, legal entities and individuals. It is published on a weekly basis in Kyrgyz and Russian languages.

CONTENT

CHAPTER 1. ECONOMIC SITUATION IN THE KYRGYZ REPUBLIC.....	5
1.1. Demand and Supply on Commodities and Services Market.....	5
1.1.1. Demand.....	5
1.1.2. Supply.....	10
1.2. Monetary trends	12
1.3. External Economic Conditions	16
1.4. Exchange rate.....	19
CHAPTER 2. INFLATION AND ITS COMPONENTS	20
2.1. Consumer Price Index Development	20
2.1.1. Dynamics of Prices for Food Products.....	20
2.1.2. Dynamics of Prices for Non-Food Products.....	22
2.1.3. Dynamics of Prices for Services	23
2.1.4. Dynamics of Consumer Price in Regions.....	23
2.2. Core inflation	24
CHAPTER 3. MONETARY POLICY DECISIONS OF THE NATIONAL BANK OF THE KYRGYZ REPUBLIC.....	26
3.1. Major Decisions of the NBKR Board	26
3.2. Major Decisions of the Monetary Regulation Committee	26
CHAPTER 4. INFLATION FORECAST	27
4.1. Forecast of Key Inflation Factor Dynamics	27
4.2. Inflation Forecast for 2012 and IV quarter of 2012	28
STATISTICAL ANNEX.....	31
GLOSSARY	35
ABBREVIATIONS.....	38

Chapter 1. Economic Situation in the Kyrgyz Republic

1.1. Demand and Supply on Commodities and Services Market

1.1.1. Demand

According to preliminary data in January-September 2012, the volume of GDP at current prices constituted 203.8 billion KGS, having decreased by 4.6 percent against the corresponding index for the comparable period of 2011; in January-September of previous year GDP increased by 8.3 percent. Excluding enterprises on exploration of gold-mining deposit "Kumtor", the GDP volume in the third quarter of 2012 increased by 3.8 percent (in January-September 2011, an increase in the same index was 6.0 percent). GDP deflator according to preliminary data in the third quarter of 2012 constituted 10.4 percent against 19.3 percent in January-September 2011.

As per results of the first half of 2012, the volume of expenditure on final consumption in GDP expenditure grew in real terms by 20.4 percent, the volume of gross capital formation grew by 30.9 percent, while the volume of exports declined by 10.9 percent and imports grew by 25.4 percent.

Table 1.1.1. Real GDP Growth Rates by Expenditure

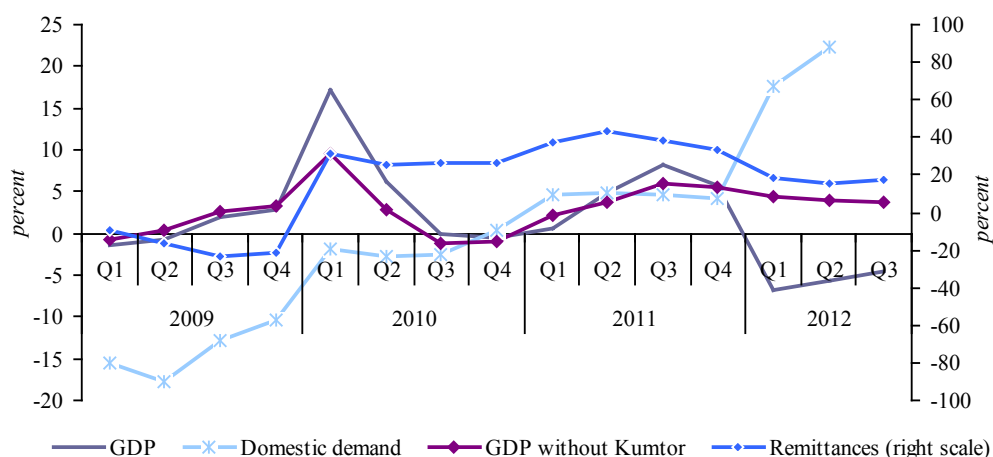
(period from the beginning of the year to the corresponding period of the previous year, percent)

	2011				2012			
	I	II	III	IV	I	I	II	II
					share, percent		share, percent	
Used GDP	0.6	4.9	8.3	5.7	-6.8	100.0	-5.6	100.0
Final consumption	6.7	8.5	6.4	5.2	11.3	127.1	20.4	125.1
Individual consumption	7.1	9.2	6.9	5.5	12.1	117.1	22.1	114.6
Households	7.5	10.0	7.2	5.6	13.0	104.1	24.9	99.5
NCOSH	11.2	10.7	7.3	4.7	-12.1	1.2	-2.6	1.6
Governmental Institutions	2.7	3.1	4.2	4.5	4.3	11.8	2.9	13.5
Collective consumption	3.1	3.1	2.3	2.3	2.3	10.0	4.3	10.6
Gross savings	7.9	-10.2	-2.3	0.3	59.9	28.5	30.9	29.3
Export	-13.8	6.6	19.5	16.5	-6.4	62.7	-10.9	58.6
Import	-0.8	11.6	13.8	13.7	29.4	-123.0	25.4	-116.7

Source: NSC KR

In January-June 2012 the growth in domestic demand (the sum of final consumption expenditure and gross capital formation) was 122.3 percent compared to 104.8 percent in the first quarter of 2011.

Chart 1.1.1. Dynamics of Changes in GDP, Domestic Demand and Remittances
(period from the beginning of the year to the corresponding period of the previous year, percent)



According to preliminary data the growth of remittances in systems of money transfer is kept in the third quarter of 2012, however, there is a decrease in growth rate. In January-September 2012 the net inflow of remittances increased by 19.9 percent and amounted to 1,489.5 million USD, while by the results of January-September 2011 the growth was 40.0 percent. The main bulk of remittances continue to come from the CIS countries (Russia - 96.7 percent, Kazakhstan - 1.6 percent). 2.2 percent of total remittances of individuals came from foreign countries.

Table 1.1.2. Remittances of Individuals by Money Transfer Systems*
(million USD)

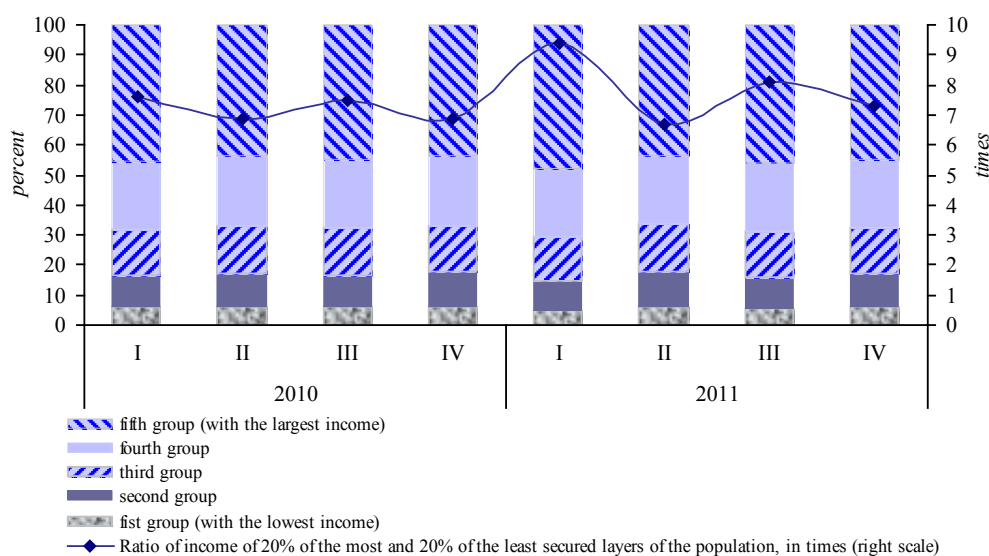
	2009	2010	January-Sept 2011	January-Sept 2012**
Balance	893.2	1,124.9	1,109.3	1,304.0
Inflow	966.7	1,252.6	1,242.8	1,489.5
CIS countries	894.4	1,199.3	1,196.2	1,459.4
Kazakhstan	31.4	35.0	29.3	25.9
Russia	862.9	1,164.3	1,166.3	1,433.4
Others	0.0	0.0	0.6	0.1
Far-abroad countries	72.3	53.3	46.6	30.2
Belgium	0.5	0.2	1.4	0.0
Great Britain	1.4	1.4	1.1	0.8
Germany	0.7	9.9	14.9	7.0
USA	69.5	41.7	28.0	21.3
Others	0.3	0.1	1.1	1.1
Outflow	73.6	127.6	133.5	185.5
CIS countries	71.8	125.8	130.6	181.2
Kazakhstan	0.7	0.4	0.6	0.5
Russia	71.1	125.4	129.7	180.6
Others	0.0	0.0	0.3	0.1
Far-abroad countries	1.8	1.8	3.0	4.4
Belgium	0.2	0.5	0.6	0.2
Germany	0.4	0.3	1.1	1.1
USA	1.1	0.9	1.1	2.1
Others	0.1	0.2	0.2	1.0

* 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 a sample survey of households by NSC KR in January-December 2011 in the structure of money income of the population by quintile groups, the concentration of total revenue is in favor of the wealthiest group. Thus, the share of income of the wealthiest group in January-December 2011 amounted to 44.6 percent of total population income, having increased by 0.9 percentage points compared to the same period in 2010. The share of income of 20 percent of the least wealthy population declined by 0.3 percentage points and amounted to 6.1 percent.

Chart 1.1.2. Composition of Household Money Income by Quintile Groups
(from the beginning of the year)



According to preliminary data from the Central Treasury of the Ministry of Finance, the state budget deficit for January-September 2012 amounted to 11.6 billion KGS or 5.7 percent to GDP (in January-September 2011 the budget was executed with a deficit of 2.5 percent to GDP).

State budget revenues from operating activities, including received official transfers amounted to 62.6 billion KGS (30.7 percent to GDP), having increased by 13.9 percent or 7.6 billion KGS compared to the same period of January-September in 2011. The largest contribution to growth in income made tax revenues (14.4 percentage points), the contribution of non-tax revenues amounted to 2.7 percentage points. Received official transfers declined by 34.2 percent as compared to the same period of previous year and, accordingly, made a negative contribution to the growth of state budget revenues (-3.3 percentage points).

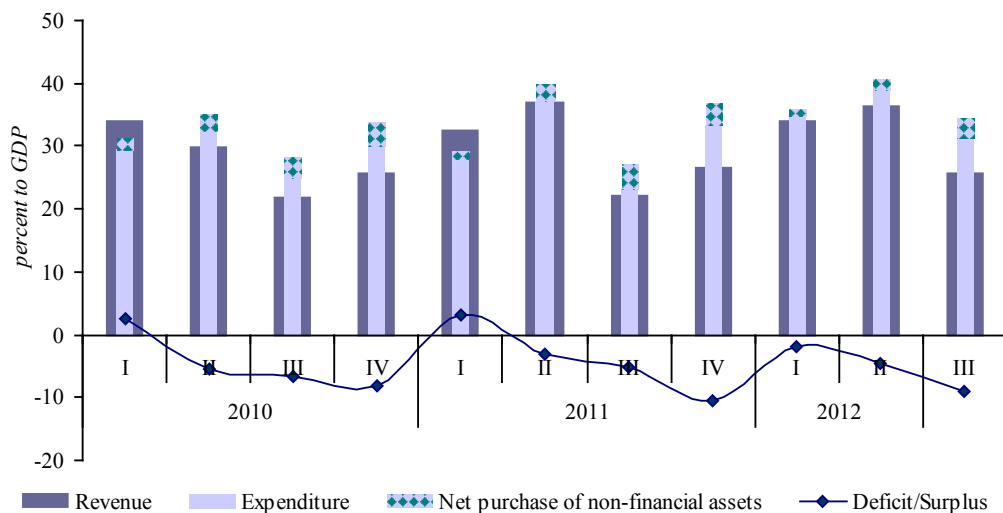
Total expenditures of the state budget for operating activities in January-September 2012 amounted to 69.6 billion KGS or 34.2 percent to GDP, having increased by 28.3 percent or 15.4 billion KGS against the same period of January-September 2011. The largest contribution to growth of spending has made "other expenses", the increase in which is associated with the growth of credits and loans under the program of public investment. Significant increase in expenses is also associated with an increase in payroll costs, as well as the procurement of goods and services.

Net cash outflow for operations on acquisition of nonfinancial assets amounted to 4.6 billion KGS which is 938.3 million KGS or 17.0 percent less than the similar index in January-September 2011.

According to preliminary data of the Social Fund of the Kyrgyz Republic, deficit of the Social Fund budget amounted to 0.2 billion KGS or 0.1 percent to GDP, revenues - 21.9 billion KGS or 10.7 percent to GDP, expenditures - 22.1 billion KGS or 10.8 percent to GDP.

Consolidated budget deficit (state budget + the budget of the Social Fund) for the reporting period amounted to 11.8 billion KGS or 5.8 percent to GDP. Revenues amounted to 74.1 billion KGS or 36.4 percent to GDP and expenditure - 86.0 billion KGS or 42.2 percent to GDP.

Chart 1.1.3. State Budget Implementation
(for the period)



According to preliminary data, the volume of investments in fixed capital in January-September 2012 increased by 9.1 percent compared to the corresponding index in 2011 and amounted to 35.4 billion KGS.

In January-September 2012, in the structure of financing sources of investments into the fixed capital, the internal investments which occupy the largest share in total investment increased by 11.7 percent, while investments from external sources increased by 2.6 percent as compared to the corresponding index of the previous year. The increase in foreign investment is due to the increase in foreign direct investment (2.3 times) as well as an allocation of foreign grants and humanitarian aid (2 times).

Table 1.1.3. Investments in the Fixed Capital by Sources of Finances

	Jan-Sept 2011	Jan-Sept 2012	Jan-Sept 2012	
	total, million KGS		share, percent	growth rate, percent
Total	31,014.6	35,379.8	100.0	109.1
Internal investmets	21,952.3	25,674.6	72.6	111.7
Republican budget (including funds intended for emergencies)	3,259.7	1,768.1	5.0	51.9
Local budget	299.6	514.8	1.5	by 1.6 times
Funds of enterprises and organizations	9,916.2	13,559.3	38.3	130.9
Bank credit	71.2	293.7	0.8	by 3.9 times
Population assets	8,405.6	9,538.7	27.0	108.0
External investment	9,062.3	9,705.2	27.4	102.6
Foreign credit	6,228.4	3,262.0	9.2	50.3
Foreign direct investment	1,987.2	4,697.7	13.3	by 2.3 times
Foreign grants and humanitarian aid	846.7	1,745.5	4.9	by 2 times

Source: NSC KR

In the sectoral structure of investments the bulk of investment is accounted for the mining industry (January-September 2012 – 27.8 percent, the same period in 2011 - 21.7 percent), transport and communication (investment in the project for reconstruction of roads "Talas-Taraz-Suusamy", "Osh-Irkeshtam", "Osh-Isfana", "Bishkek-Naryn-Torugart", "Southern Transport Corridor", the rehabilitation of roads under the project "Improvement of Regional Road Corridor") - 14.1 percent (the same period in 2011 was 26.1 percent), manufacturing industry - 12.8 percent (the same period in 2011 – 4.4 percent), trade - 5.6 percent (the same period in 2011 – 3.1 percent).

The loan portfolio of commercial banks at the end of September 2012 amounted to 36.1 billion KGS, having increased from the beginning of the year to 15.8 percent. At this, the KGS part of the loan portfolio increased by 13.3 percent, amounting to 15.8 billion KGS. The volume of loans in foreign currency at the end of September was 20.3 billion in KGS equivalent, exceeding the corresponding value at the beginning of the year by 17.8 percent. In the structural context there was an increase in lending in all sectors, except for loans for communication. The most dynamic credit growth was observed in segments such as "social services", "transportation", "consumer credit" and "agriculture." In this case, in quantitative terms the most significant contribution to the increase in the portfolio was made by lending rates of industries "trade and commercial transactions", "agriculture" and for consumer purposes forming the major part of it in percentage terms at the end of the period.

Table 1.1.4. Sectoral Structure of Commercial Banks' Credit Portfolio

	Jan-Sept 2011		Jan-Sept 2012	
	total, million KGS	growth rate, percents	total, million KGS	growth rate, percents
Credit portfolio	30,053.5	113.9	36,135.3	115.8
Trade and commercial operations	13,434.3	118.5	14,697.5	109.9
Agriculture	4,067.6	121.4	5,005.9	126.0
Industry	1,593.3	107.6	1,997.1	119.9
Mortgage	2,768.7	97.1	3,393.8	113.7
Construction	1,769.3	86.8	1,958.0	112.1
Consumer credits	2,456.0	130.5	3,488.5	126.9
Other	3,964.4	115.2	5,594.4	118.4

Loans issued by microfinance institutions and credit unions, which occupy the bulk in the total structure of loans of non-bank financial institutions (NBFI), increased by 25.5 percent compared to the same period of 2011 and the end of June 2012 amounted to 17.5 billion KGS. In the sectoral structure, the largest share of loans in this period accounted for the agriculture (44.8 percent), trade and commerce (26.7 percent).

Table 1.1.5. Sectoral Structure of NBFI Credit Portfolio at the end of the period*

	June 2010		June 2011	
	total, million KGS	growth rate, percent	total, million KGS	growth rate, percent
Credit portfolio	13,968.1	36.3	17,531.7	25.5
Agriculture	6,890.8	42.8	7,859.9	14.1
Trade and commerce	3,517.6	18.3	4,675.5	32.9
Consumer credits	809.1	81.8	1,227.8	51.8
Services	437.7	-10.2	556.2	27.1
Construction and mortgage	275.5	22.1	530.5	92.6
Industry	230.5	17.4	279.9	21.4
Transport and communication	169.9	42.5	267.5	57.4
Harvesting and processing	29.6	-79.7	45.5	53.6
Other	1,607.4	94.6	2,089.0	30.0

* NBFI credit portfolio, excluding loans issued by the Development Fund of the Kyrgyz Republic, FKPRKS, SFRB and pawnshops.

1.1.2. Supply

Decline in GDP in January-September 2012 was mainly due to the drop in production in industry (-7.5 percentage points), mainly due to a decrease in production at enterprises of gold-mining deposit "Kumtor". At the same time a positive contribution to GDP was made by trade and repairs (+1.3 percentage points), and transport and communications (+0.7 percentage points).

The volume of the aggregate supply of goods and services in January-September 2012 was provided by agricultural products - by 20.3 percent, trade sector by 15.8 percent, processing industry - by 10.2 percent, transport and communication - by 8.8 percent of total GDP.

Table 1.1.6. Contribution of Individual Activities to GDP Increase/Decrease

	Jan-Sept 2011		Jan-Sept 2012	
	growth rate, percent	contribut. to growth, p.p.	growth rate, percent	contribut. to growth, p.p.
Gross domestic product	8.3	8.3	-4.6	-4.6
Gross added value	8.3	7.4	-4.6	-4.1
Agriculture, hunting & forestry	2.7	0.5	2.0	0.4
Mining industry	21.2	0.1	23.1	0.2
Processing industry	26.1	4.2	-44.3	-7.7
Electricity, gas, and water generation and distribution	22.9	0.8	9.0	0.3
Construction	-5.0	-0.3	12.0	0.6
Trade, repair	5.0	0.8	8.5	1.3
Hotels and restaurants	10.6	0.1	10.2	0.1
Transport and communication	10.8	1.0	9.1	0.7
Financial activity	7.4	0.0	0.2	0.0
Real estate transactions, rent	-1.7	-0.1	-5.5	-0.2
State management	5.0	0.3	1.1	0.1
Education	-0.5	0.0	5.5	0.3
Health and provision of social services	1.9	0.0	2.3	0.1
Provision of utility and personal services	0.6	0.0	-4.7	-0.1
Net tax on products	8.3	0.9	-4.6	-0.5

Source: NSC KR

According to preliminary data, for January-September 2012 the physical volume index (PVI) of industrial production decreased by 33.9 percent as compared to the corresponding index of 2011 (in January-September 2011 the volume of industrial production grew by 25.5 percent). Decrease in PVI of industrial production was mainly due to the decline in manufacturing by 44.3 percent, including a reduction in steel production and fabricated metal products (67.9 percent) due to the decrease in production of precious metals, in the textile and clothing industry (21.3 percent). Excluding enterprises on exploration of gold-mining deposit "Kumtor" there was an increase in industrial production PVI at 7.0 percent, at this the similar index increased by 21.5 percent in 2011.

In agriculture, according to preliminary data, during January-September 2012 there was a growth in PVI at 2.0 percent (in January-September 2011 the volume of agricultural production rose by 2.8 percent).

According to provisional data, in January-September 2012, there was an increase in trade turnover by 9.3 percent (for the same period in 2011, there was an increase by 5.4 percent). Also there was observed an increase in wholesale trade by 9.1 percent and retail trade (except for trade in cars and motor fuel) - by 6.6 percent.

Table 1.1.7. Dynamics and Structure of Gross Turnover of Trade Operations

	Jan-Sept 2011		Jan-Sept 2012	
	share, percent	growth rate, percent	share, percent	growth rate, percent
Trade	100.0	105.4	100.0	109.3
Trade in cars and their spare parts	2.8	110.7	2.7	107.5
Car maintenance	0.5	106.3	0.5	106.6
Retail trade in motor oil	32.3	104.1	30.3	109.1
Wholesale trade	9.9	118.5	11.3	124.9
Retail trade	54.4	103.5	55.0	106.6
Repair of household appliances	0.2	91.2	0.2	103.7

Source: NSC KR

1.2. Monetary trends

Monetary base

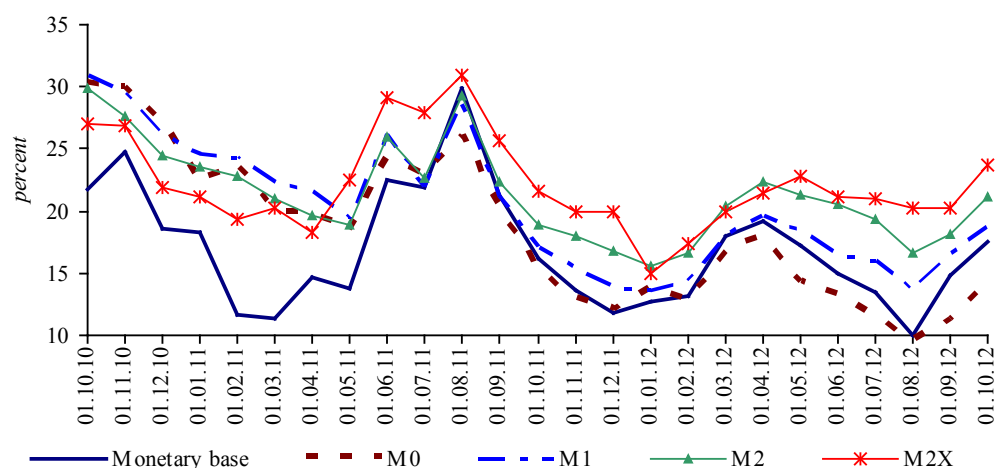
As of October 1, 2012 the monetary base amounted to 60.2 billion KGS, having increased for January-September 2012 by 9.8 percent or 5.4 billion KGS (in the similar period of 2011 – by 5.4 percent). The operations of the Government increased the monetary base by 6.8 billion KGS. The operations of the National Bank reduced the monetary base by 1.4 billion KGS.

For comparison, in January-September 2011, an increase of the monetary base amounted to 2.6 billion KGS, while the operations of the Government increased the monetary base by 7.1 billion KGS, and the operations of the National Bank reduced the monetary base by 4.5 billion KGS.

As part of the monetary policy consistent with fiscal policy, the NBKR at the persistence of inflationary risks has expanded its presence in the open market, which resulted in increasing the volume of notes in circulation from 1.4 billion KGS at the beginning of the year to 1.8 billion KGS at the end of September 2012. The volume of repo transactions increased from 206.8 million KGS at the beginning of year to 500.0 million KGS at the end of September 2012.

In January-September 2012 currency in circulation increased by 7.4 percent and amounted to 53.6 billion KGS (in the same period in 2011 an increase was 7.6 percent).

Chart 1.2.1. Nominal Growth Rates of Monetary Base and Monetary Aggregates
(in annual terms)



M2 Aggregate

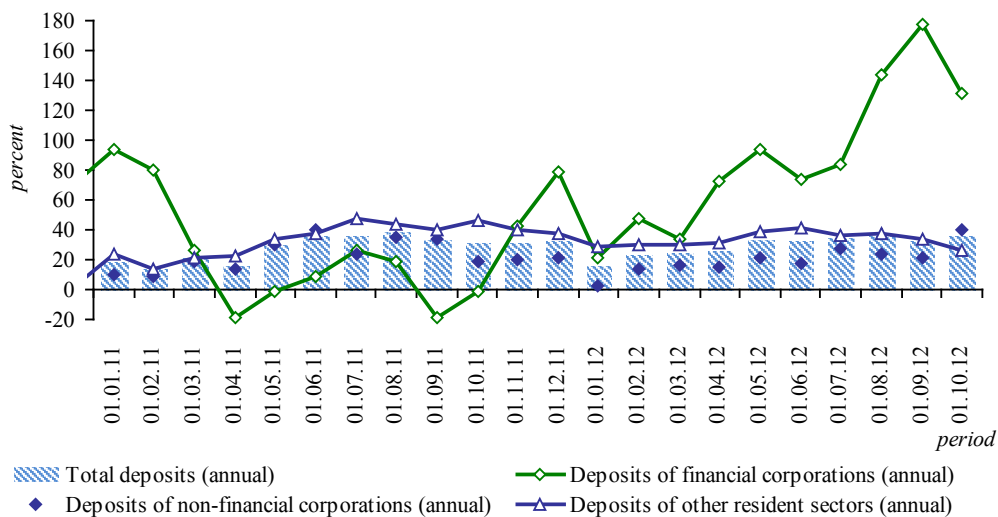
As of October 1, 2012 the money stock M2 (M0 + deposits in the national currency) amounted to 71.1 billion KGS, having increased for January-September 2012 by 14.5 percent (in the same period of 2011 an increase was 9.2 percent). The components of the monetary aggregate M2 changed as follows: currency in hands (M0) increased by 7.1 percent, deposits in the national currency - by 37.7 percent, including transferable deposits (demand deposits) - by 38.5 percent, and term deposits - by 36.2 percent.

M2X Aggregate

The volume of M2X broad money (M2 + deposits in foreign currency) as of October 1, 2012 amounted to 94.6 billion KGS, having increased during the period by 18.9 percent (in January-September 2011 the increase in M2X amounted to 10.5 percent). The total amount of deposits¹, included in the definition of broad money M2X increased by 36.2 percent, including deposits in foreign currency increased by 35.0 percent, deposits in the national currency - by 37.7 percent (in January-September 2011, an increase in currency in hands amounted to 6.7 percent, while total deposits – 16.2 percent).

In the context of the sector, deposits of financial corporations and deposits of non-financial corporations were growing faster among the components of M2X broad money, having increased in January-September 2011 to 73.2 percent and 48.3 percent, respectively. Deposits of other resident sectors increased by 24.2 percent for the period.

Chart 1.2.2. Dynamics of deposits included in M2X, by sectors
(in annual terms)



In January-September 2012 the structure of M2X broad money changed as follows:

- the share of currency in hands decreased from 59.4 to 53.5 percent;

¹ According to the analytical balance of the banking system include the deposits of individuals and legal entities, as well as deposits of other financial institutions, excluding the Government and non-resident deposits.

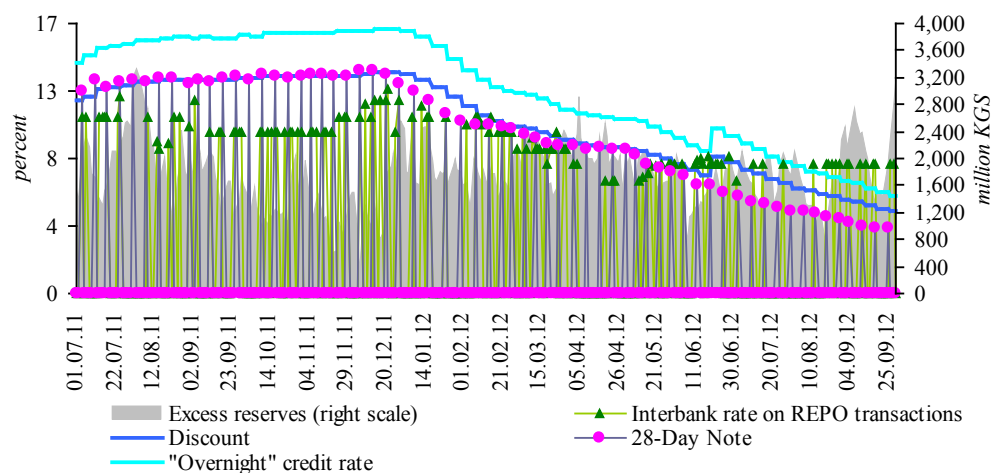
- the share of deposits in the national currency increased from 18.7 to 24.8 percent;
- the share of deposits in foreign currency increased from 21.9 to 24.8 percent.

The multiplier of M2X broad money increased during the period under review from 1.451 at the beginning of 2012 to 1.572 at the end of September 2012 (at the end of September 2011 - 1.493).

Coefficient of the economy monetization calculated on the basis of M2X monetary aggregate increased from 26.5 percent at the beginning of the year to 29.5 percent at the end of September 2012 (at the end of September 2011 - 26.3 percent). Increase in the monetization coefficient was due to the growth of the monetary aggregate on the back of weak economic growth, which was also appropriately reflected in the decrease in the velocity of circulation of M2X broad money in the period under review from 3.8 at the beginning of 2012 to 3.4 at the end of September 2012 (at the end of September 2011 - 3.8).

In the third quarter of 2012 on the financial market there was preservation of the main trends of the second quarter of 2012 formed under the influence of the absence of significant fluctuations in the excess liquidity in the banking system as a whole. At the same time in the reporting period there was marked an increase in the demand for loans by individual market participants, which, in turn, affected the growth in activity of the internal market of interbank borrowing. With the continuing decline of the dynamics of profitability in all segments of government securities, the most profitable securities with longer maturities continued to be of high demand among investors.

Chart 1.2.3. Dynamics of Monetary Market Rates



Compared with the result of the second quarter of 2012 in the reporting period, the total volume of loans fell by 33.0 percent to 1.8 billion KGS by reducing the volume of transactions in all market segments. A significant decline was observed in the normal credit transactions in local and foreign currencies. For repo transactions there was also observed a decline by 21.3 percent, as a result

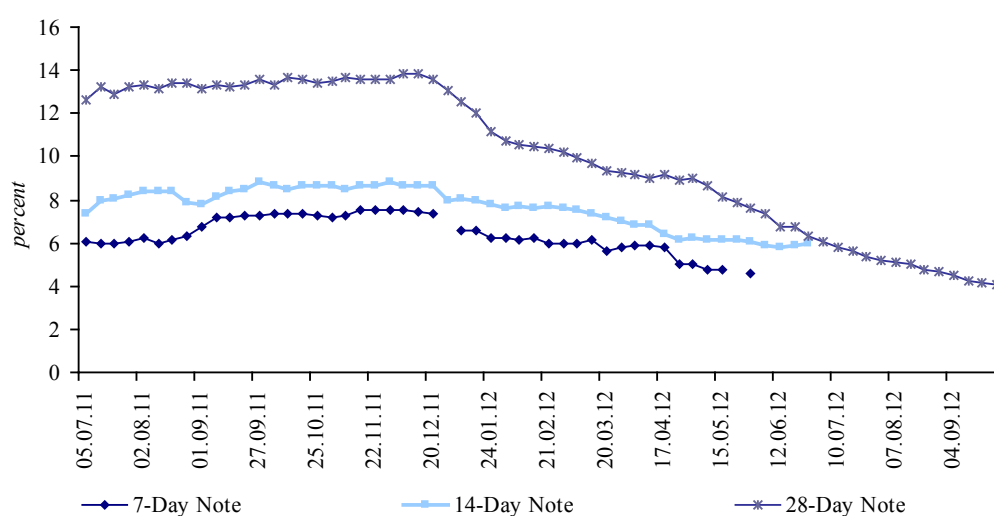
in quantitative terms the volume of such transactions amounted to 1.5 billion KGS. Along with this, the size of the usual credit transactions in local currency also declined by 57.4 percent to 250.0 million KGS. In the reporting period the weighted average interest rate for repo transactions increased by 0.2 percentage points to 7.9 percent, for credit transactions in KGS - by 1.0 percentage points to 7.9 percent. Compared with a weighted average interest rate in the same quarter in 2011 the rates for repo and usual credit transactions in local currency decreased by 2.5 and 0.7 percentage points, respectively.

In the reporting period the total volume of transactions in foreign currency in the domestic interbank money market totaled 66.0 million KGS with an average interest rate of 1.5 percent per annum.

As of the end of September, the discount rate was 5.1 percent, having decreased for the quarter by 3.0 percentage points. As a result, the rate of "overnight" credits also decreased, amounting on the average for the quarter to 7.7 percent, while the volume of "overnight" loans disbursed during the period totaled 392.0 million KGS.

As before, the greatest interest benefitted from the most profitable 28-day notes; as a result, they were the only kind of securities presented in the sales basket. There were no proposals of 7- and 14-day notes in the third quarter of 2012. Also, despite the slight decrease in emissions of 28-day securities, the demand, in general, supported the uptrend. In the period under review the sale of 28-day notes reached 5.7 billion KGS. The weighted average yield of 28-day notes decreased to 5.0 percent (-3.0 percentage points) in the third quarter of 2012. As compared to the corresponding figure in 2011 the yield of 28-day notes decreased by 8.2 percentage points.

Chart 1.2.4. Dynamics of the NBKR Notes Yield

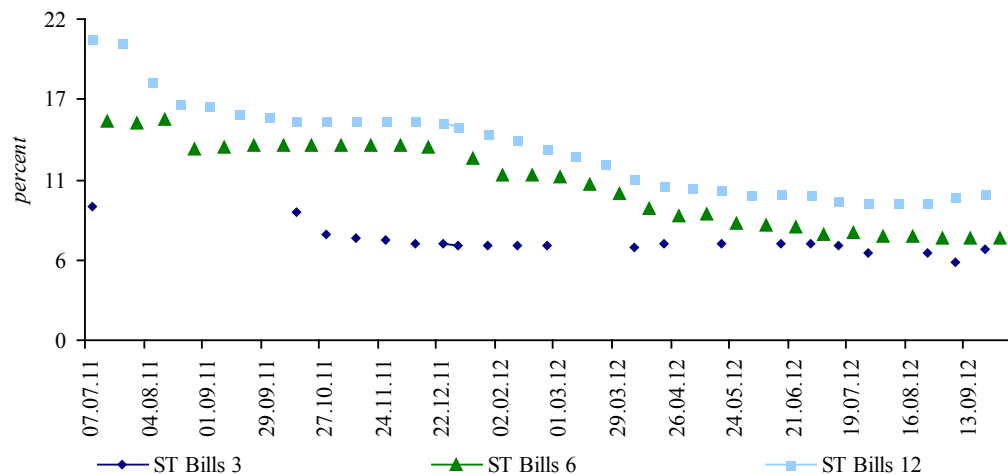


The average monthly rate of yield on securities decreased to 8.5 percent (-1.4 percentage points) due to lower yield in the segment of 3-, 6- and 12-month ST-Bills by 0.7 percentage points, 1.2 percentage points, and 0.8 percentage points

respectively. Compared to the same quarter of 2011 the rate of total rate of yield of ST-Bills decreased by 8.4 percentage points. At this the yield of 3-month ST-Bills decreased by 3.3 percentage points, 6-month ST-Bills - by 6.8 percentage points, 12-month ST-Bills - by 8.1 percentage points.

In July-September 2012, there were held four auctions of ST-bonds, in which there were allocated securities amounting in total to 1192.8 million KGS, which is 2.6 times higher than the previous quarter index. Demand for two-year treasury bonds was still supported mainly by the activity of the dominant investor represented by one of the major commercial banks that somewhat increased the quantitative indicators of the presence in the market compared to the previous quarter. In addition, a significant contribution to the achievement of the sales index established on the basis of the quarter 3 was made by one of the institutional investors which showed up previously high activity in the market of ST-bonds from the beginning of the quarter 2 of 2011. The increased activity of the market against the increased volume of securities emission was followed by keeping the average monthly interest rate of 14.5 percent, unchanged from the beginning of the quarter.

Chart 1.2.5. Dynamics of ST-Bills Yield



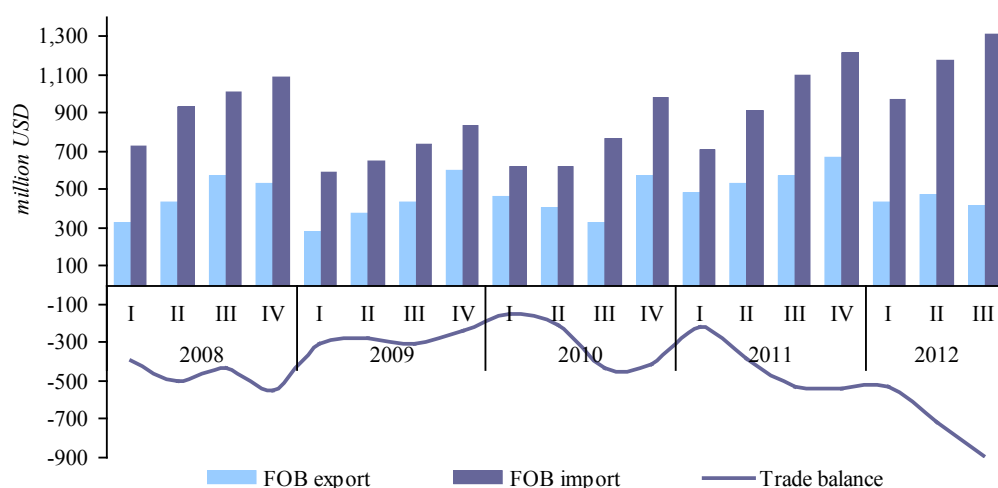
1.3. External Economic Conditions¹

Pursuant to preliminary data, the deficit of trade balance of the Kyrgyz Republic in the third quarter of 2012 compared to the comparable period in 2011 increased by 69.5 percent and constituted 892.2 million USD.

The external turnover in the reporting period amounted to 1 726.4 million USD, which exceeded the rate of the last year by 3.1 percent.

¹ According to data of the NSC KR and SCS KR taking into account NBKR adjustments, unless otherwise stated.

Chart 1.3.1. Foreign Trade



Exports of goods (in FOB prices) in the third quarter of 2012 amounted to 417.1 million USD, having decreased by 27.4 percent over the same period in 2011. During the reporting period the volume of exports of gold continued to fall, this resulted in reducing the proportion of this item in total exports to 13.3 percent (reduction to 78.5 percent or 202.4 million USD in absolute terms). The fall was due to the reduction of the volume of deliveries by 77.1 percent and decrease in export prices by 6.2 percent. In addition, there was a decrease in the supply of parts and accessories for motor vehicles, vegetables, kerosene (export of onboard reserves) and used cars. Along with this, there was an increase in the supply of rolled glass, ores and concentrates of precious metals, motor vehicles for the transport of goods, special purpose vehicles and other inorganic substances. Thus, the non-gold exports increased by 14.3 percent to 361.6 million USD.

During the reporting period the shares of the main groups of exported goods¹ undergone significant changes. Share of intermediate goods fell from 59.9 to 30.3 percent, which led to an increase in the weights of other groups. Consumer products occupied 30.0 percent of the total exported goods, energy products - 18.4 percent. Raw materials and capital goods accounted for 11.3 percent of exports and 10.1, respectively.

The volume of exports of consumer goods remained at the level of the same figure of the comparable period in 2011 and amounted to 108.7 million USD. Supplies of food products rose by 0.5 percent, non-food products - by 0.8 percent.

Increase in the supply of food products was mainly due to the growth of the value of exports of fruits and nuts (27.4 percent or 4.0 million USD) due to an increase in export prices by 37.5 percent amid falling volume of deliveries by 7.3 percent. Also, for the reporting quarter, due to an increase in export prices by 9.9 percent with a decrease in physical volume by 2.5 percent, the volume of supply of dairy products increased by 7.1 percent or 0.4 million USD. In this case, due to the

¹ Here and hereafter in CIF prices, according to data of the NSC KR and SCS KR excluding NBKR adjustments.

reduction of the physical volume of deliveries by 21.4 percent against the export prices by 18.9 percent, there was a reduction of the value of export of vegetables (by 6.6 percent or 0.8 million USD).

In the structure of non-food products, the growth in exports was due to such commodity items as apparel and clothing accessories (by 3.7 per cent or 1.6 million USD) and incandescent lamps (by 26.8 percent or by 1.3 million USD, due to an increase in export prices by 52.5 percent with a decrease in physical volumes by 16.9 percent). At the same time, there was a decrease in the supply of used cars by 18.7 percent or 0.3 million USD, which occurred due to the reduction of physical volume of deliveries by 60.3 percent with an increase in the actual export prices by 2.0 times.

Imports of goods¹ in FOB prices in the reporting quarter of 2012 increased by 18.9 percent and amounted to 1 309.3 million USD. Dynamics of import were defined by supplies of petroleum products which increased by 30.2 percent or 73.3 million USD, secured by increasing the physical volume of deliveries by 21.5 percent with an increase in export prices by 7.2 percent. Significant contribution to the increase in the volume of imported goods was also made by cars for the transport of goods and special purpose vehicles, electrical transformers, iron and steel constructions, unmilled grains and mangcorn. In this case, there was a decrease in the import of electric linear phones, clothing and clothing accessories, used cars, fine and mangcorn flour.

In the functional structure of imports² during the reporting period, there was an increase in the share of energy products (from 22.8 to 24.3 percent) and investment goods (from 13.8 to 18.0 percent). Due to this fact and the fall in the value of the supply, the share of consumer goods declined to 31.1 percent. Intermediate goods took 24.9 percent of total imports, raw materials - 3.9 percent.

In the reporting quarter, imports of consumer goods reached a volume of 410.4 million USD, having dropped by 7.0 percent. The drop was achieved by reducing the imports of non-food goods by 11.1 percent, while the supply of food products rose by 1.2 percent.

In the structure of food products, as a result of growth of physical volume by 23.4 percent, along with the increase in import prices by 18.1 percent, increased the imports of products of grain (by 45.6 percent or 4.1 million USD). The increase in price by 47.3 percent, while reducing the physical volume by 12.5 per cent, led to an increase in the value of mineral water and soft drinks by 29.0 percent (or 2.0 million USD). At the same time, reduction in the volume of import by 29.6 percent and prices by 7.4 percent lowered the value of imports of coffee and tea by 34.9 percent (or 6.6 million USD).

As part of non-food items, by reducing the physical volume of deliveries by 24.7

¹ CIF imports amounted to 1 415.1 million USD, the trade balance deficit in CIF prices – 998.0 million USD.

² Here and hereafter in CIF prices, according to data of the NSC KR and SCS KR excluding NBKR adjustments.

percent amid rising import prices by 9.2 percent there is a decline in delivery to the Republic of used cars by 17.8 percent or 12.2 million USD. Also, due to the reduction in import prices by 25.7 percent with an increase in the physical volume by 10.9 percent, the cost of supply of medicines reduced (by 17.6 percent or 7.0 million USD). The increase in physical volume of 15.6 percent and import prices by 11.5 percent led to an increase in the value of the supply of cigarettes by 28.9 percent (or 3.1 million USD). Also, due to the increase in prices by 20.8 percent, while the physical volume reduced by 11.7 percent, the supply of essential oils increased (by 6.6 percent or 1.2 million USD).

1.4. Exchange rate

In the third quarter of 2012, the dynamics of the exchange rate was mixed. Thus, in the first half of the third quarter of 2012 there was marked preservation of growth of the USD exchange rate. In August 2012 there was a decrease in the exchange rate, mainly due to increased inflow by money transfer systems, as well as an increase in current payments. At the end of the third quarter of 2012 in terms of market imbalances of supply and demand, there was an increase in the dollar rate.

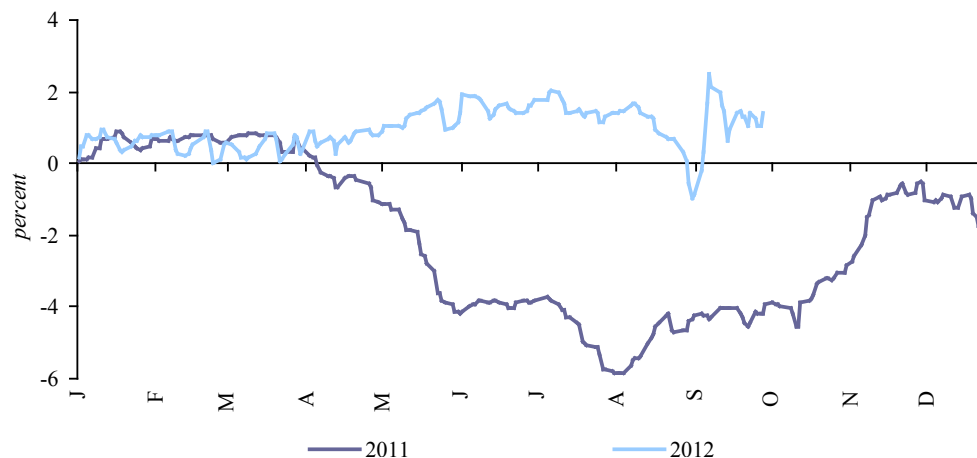
At the end of September this year the USD exchange rate was 47.1484 KGS per one USD, having decreased as compared to the end of June - by 0.2 percent (in the third quarter of 2011, the exchange rate also decreased - by 0.5 percent).

The main reasons for maintaining the demand for USD in July-September were the preservation of the volume of bank operations to service customers' import contracts to supply fuel and lubricants and consumer goods, as well as the repayment of foreign loans by microcrediting companies.

The continued stability of the currency market in the period under review has allowed the National Bank to continue its policy of reducing the presence in the foreign exchange market in accordance with the stated objectives of the monetary regulation. In the reporting period, foreign exchange intervention of the NBKR were not conducted.

Chart 1.4.1. Rates of Change of the USD Discount Rate

(in percent to the beginning of the corresponding year)



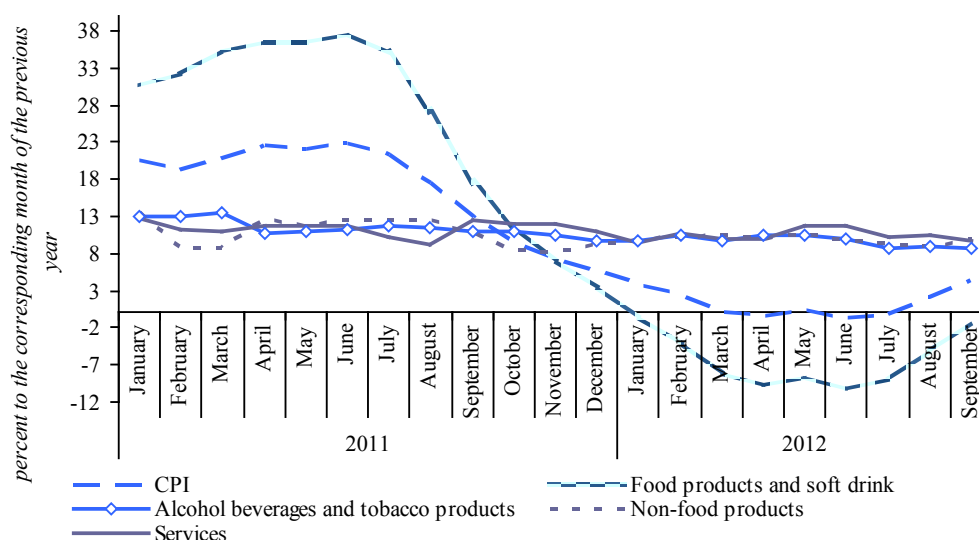
Chapter 2. Inflation and its Components

2.1. Consumer Price Index Development

The annual consumer price index in September 2012 (against September 2011) amounted to 104.4 percent, while the corresponding index in 2011 was 113.0 percent. In the structure of the CPI basket the decrease in prices for food products was 1.4 percent, prices for non-food products rose in annual terms by 9.9 percent, the prices for alcoholic beverages and tobacco rose by 8.6 percent, for paid services - by 9.7 percent.

In the third quarter of 2012, the consumer price index rose by 2.2 percent, which was due to a significant increase in prices of some food products, on the background of the negative impact of rising food prices on world commodity markets.

Chart 2.1.1. Annual Dynamics of CPI and its Components



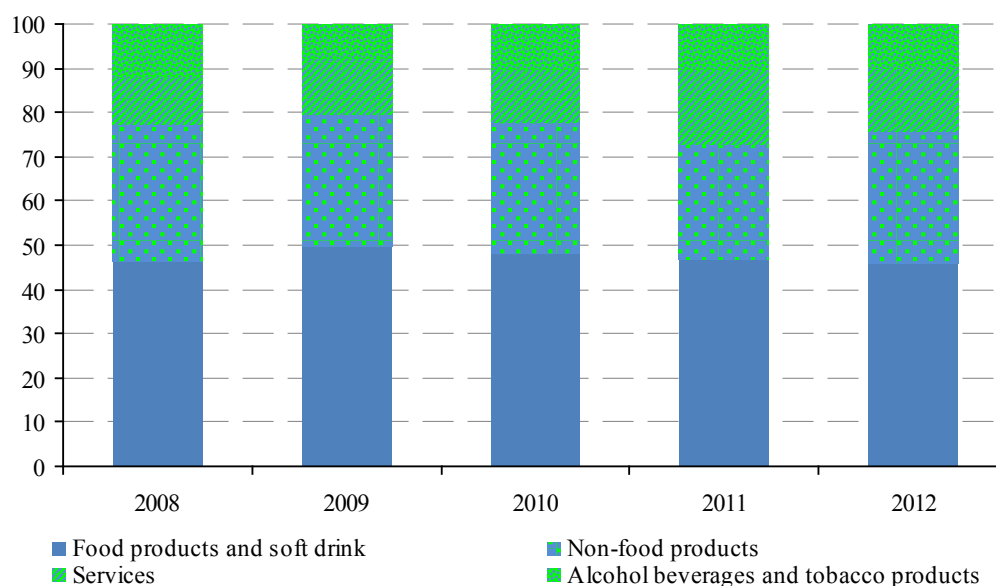
In the third quarter of 2012, food prices grew by 2.0 percent, non-food prices rose by 2.1 percent, alcoholic beverages and tobacco products increased in price by 1.7 percent; increase in prices of paid services was 3.2 percent.

2.1.1. Dynamics of Prices for Food Products

Food products occupy about 46 percent in the structure of the consumer basket, on the basis of which the inflation is calculated. Thus, the volatility of prices for food products is the determining factor in the dynamics of inflation in the country.

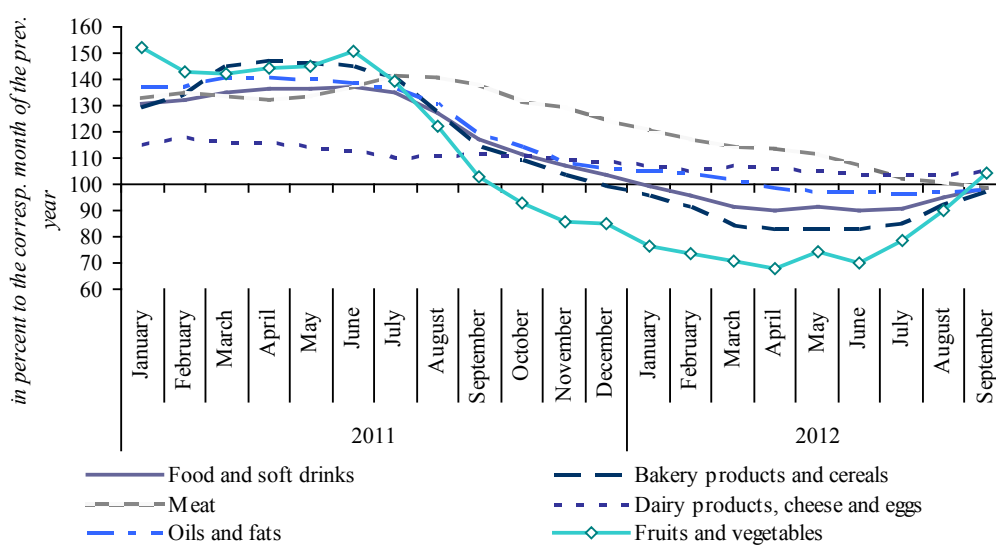
Chart 2.1.2. Structure of the CPI basket in 2008-2012

(percentage of total)



According to the results of September 2012, the prices for food products in annual terms decreased by 1.4 percent (for the corresponding period in 2011 the prices rose by 17.5 percent). Bakery products and cereals have the largest share in the structure of food products. In September 2012, prices for bread and cereals fell in annual terms by 3.0 percent, including first-grade wheat flour prices dropped by 1.5 percent. At this, in the third quarter of 2012, the prices for bakery products and cereals rose by 10.6 percent, which was due to higher prices for wheat and processed products on the world market against the background of low yield of wheat in 2012.

Chart 2.1.3. Annual Dynamics of Prices for Food Products



Prices for fruits and vegetables in the third quarter of 2012 decreased by 9.6 percent, including fruit prices fell by 4.8 percent, prices for vegetables fell by 12.1 percent.

Dynamics of sugar prices in Kyrgyzstan decreased by 20.5 percent in annual terms, while in September 2011 the price of sugar rose by 21.3 percent in annual terms. In the near future sugar supply disruptions in Kyrgyzstan are not expected, the value of imported sugar also remains stable.

Prices for the commodity group "oils and fats" by the results of September 2012 decreased by 2.1 percent, while in 2011 the same index increased by 19.2 percent. Current dynamics of prices for the commodity group "oils and fats" is largely due to the continued effect of a rich harvest of oilseeds in 2011.

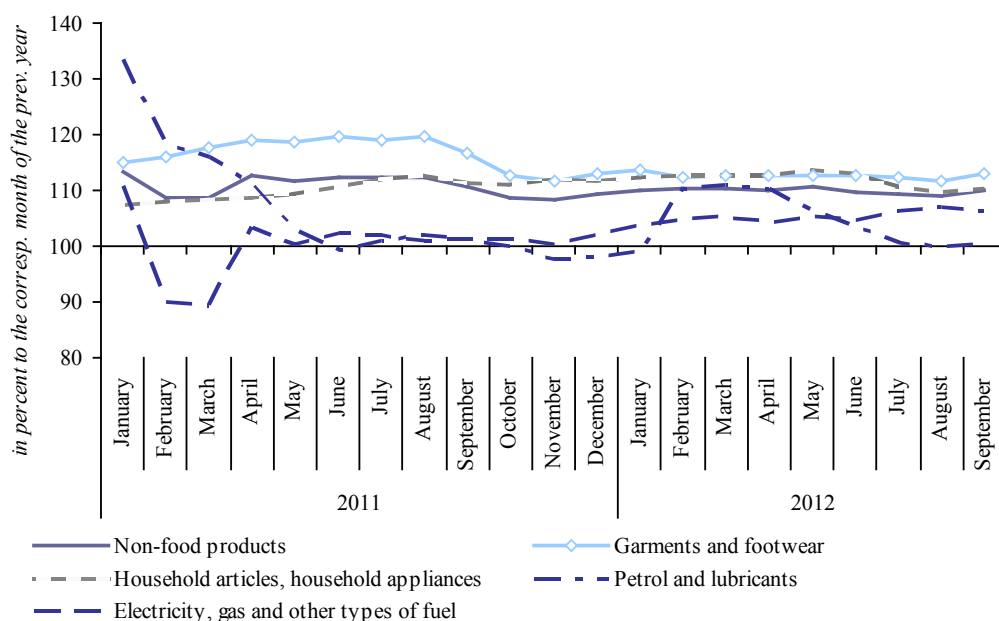
In the third quarter of 2012 there was an increase in consumer prices for dairy products, which amounted to 3.3 percent. In annual terms, the milk products went up by 5.2 percent.

Prices for meat production by the results of September 2012 fell in annual terms by 1.4 percent.

2.1.2. Dynamics of Prices for Non-Food Products

Increase in the price index for non-food goods in annual terms amounted to 9.9 percent, 0.7 percentage points lower than in 2011. The largest contribution to the growth of non-food prices was made by the increase in prices for "clothing and footwear", this group grew in value by 13.1 percent, increase in prices for electricity, gas and other fuels was 6.4 percent, household items and home appliances increased in price by the end of September 2012 to 10.4 percent. The cost of fuel and lubricants in annual terms rose by 0.4 percent, including the price for gasoline decreased by 0.2 percent, diesel prices increased by 6.7 percent. In the third quarter of 2012, prices for petroleum products rose by 1.7 percent, including petrol price rose by 1.9 percent, diesel price fell by 0.5 percent.

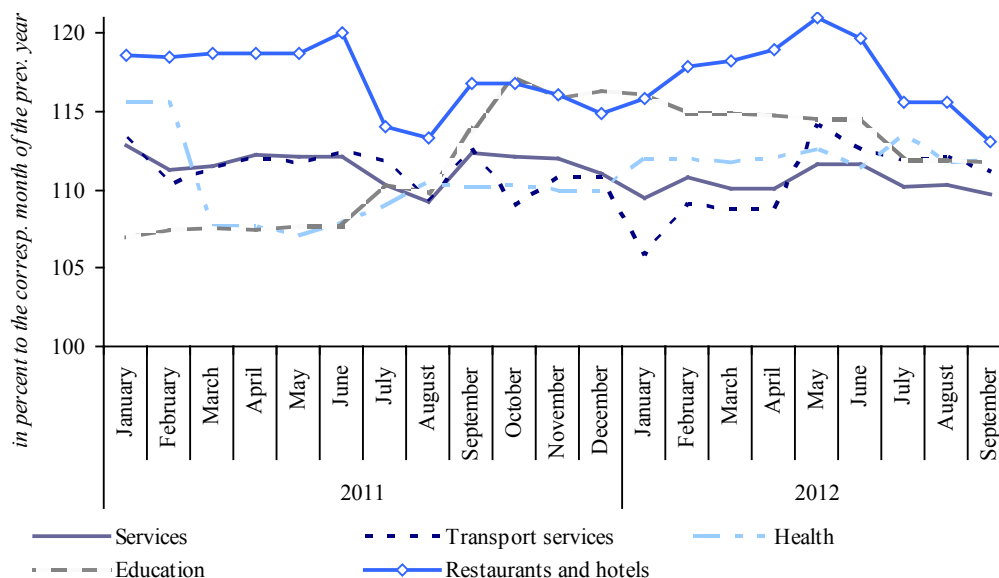
Chart 2.1.4. Annual Dynamics of Prices for Non-Food Products



2.1.3. Dynamics of Prices for Services

The price index for paid services for the reporting period grew in annual terms by 9.7 percent (for the same period in 2011 - by 12.4 percent). The index growth in this group occurred mainly due to the rise in price for services of restaurants and hotels by 13.1 percent, education services (+11.8 percent) and transport (+11.1 percent). Health services rose by 12.0 percent.

Chart 2.1.5. Annual Dynamics of Prices for Paid Services

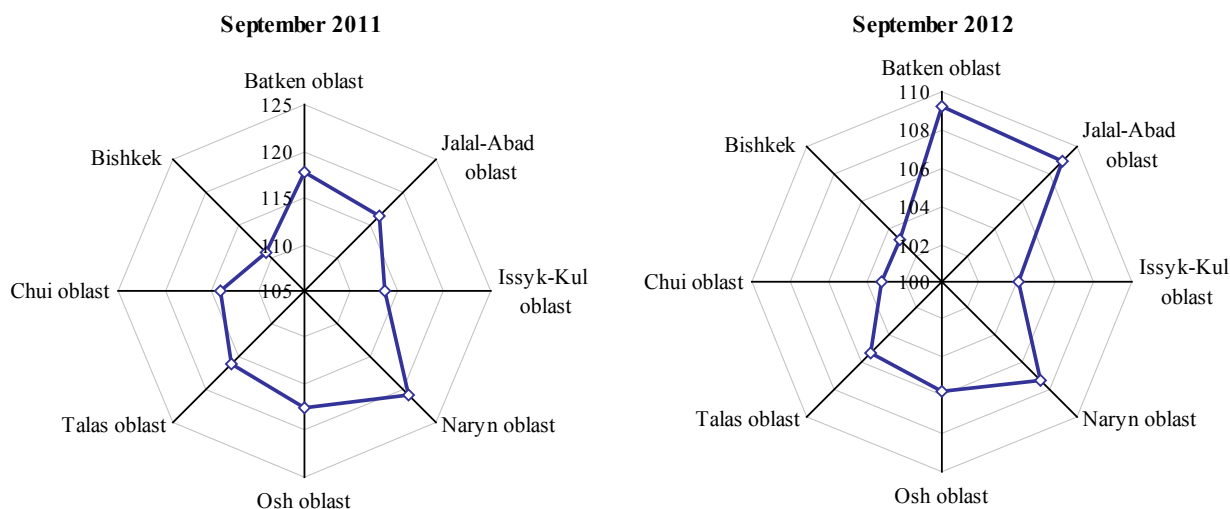


2.1.4. Dynamics of Consumer Price in Regions

By results of September 2012 there was a slowdown in growth in the overall level of consumer prices in all regions of the country. In Batken and Osh oblasts prices increased by 9.3 and 5.8 percent respectively, in Jalal-Abad oblast – by 9.1 percent, in Talas oblast – by 5.3 percent, in Naryn oblast - 7.3 percent. In Chui oblast the prices rose by 3.2 percent, in Issyk-Kul oblast the price index rose by 4.0 percent.

In Bishkek, consumer prices rose by 3.2 percent, while prices for food products fell by 2.8 percent, alcohol and tobacco products increased in price by 7.6 percent, non-food products - by 9.0 percent and paid services - by 8.9 percent.

Chart 2.1.6. Annual CPI in Regions
(percent)



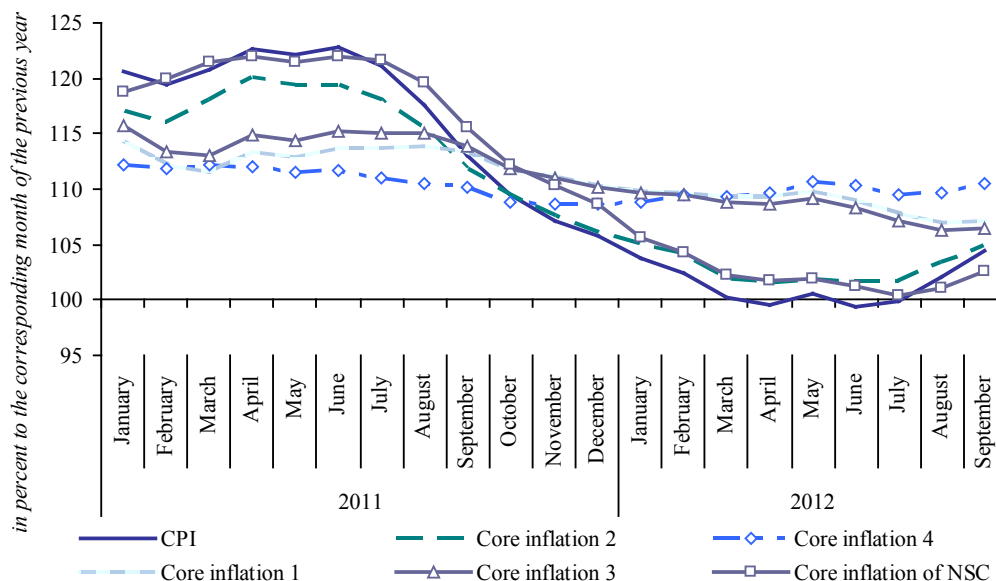
2.2. Core inflation

Core inflation is defined as an indicator of price dynamics excluding short-term, structural and seasonal changes in 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, etc. is excluded from the calculation of the inflation rate.

Dynamics of core inflation calculated by means of the method of simple exclusions is described below. The method involves the exclusion from the CPI of certain categories or an entire group of goods and services whose prices are highly sensitive to shocks, having usually one-time and/or short-term nature. Traditionally, such goods include some of the food products, energy resources and tariffs administratively established by the Government.

The annual value of the core inflation calculated by the method of the NSC KR by results of September 2012 was 2.6 percent, while the "crude" inflation rate was 4.4 percent. It should be noted that the graphical representation of core inflation indicator 4 (which completely excludes food products, electricity, gas and other fuels) indicates that the emerging trends in the food market are the determinant for the dynamics of consumer prices in the country. This indicator has a stable dynamics and a small dispersion of values.

Chart 2.2.1. 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, alcoholic and tobacco products, petroleum products, product group “electricity, gas and other types of fuel”, passenger transport services, communication and some other.

Chapter 3. Monetary Policy Decisions of the National Bank of the Kyrgyz Republic

3.1. Major decisions of the NBKR Board

On August 27, 2012 to assess the current situation in the monetary area and analyze the results of economic development, the NBKR Board reviewed and adopted the report of the monetary policy for the first half of 2012 (Resolution No.35/1) and approved the monetary program for the coming period. Monetary program identifies key directions of monetary policy in the short term, as well as indicative parameters for its implementation.

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

3.2. Major Decisions of the Monetary Regulation Committee

Monetary Regulation Committee (hereinafter - MRC) develops and takes operative decisions in the monetary sphere. The MRC makes decisions every week based on an assessment of the situation prevailing in the money market. In the period under review the volumes of transactions to regulate liquidity in the banking system were defined by the MRC based on the goals and objectives identified by the NBKR Board specified in the Basic Guidelines of Monetary Policy for 2012-2014, the 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.

13 meetings were held by the MRC in the third quarter. Regulation of liquidity in the banking system was carried out through weekly auctions of 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.

As part of the monetary policy, the MPC decided to reduce the indicative amount of NBKR notes in circulation from the level of 2.1 billion KGS at the end of June 2012 to the level of 1.8 billion KGS at the end of September 2012 and the volume of government securities traded on repo from 1.2 billion to 500.0 million KGS.

Relatively stable situation in the foreign exchange market in the period under review has allowed the NBKR to exclude its presence in the interbank foreign exchange market. Thus, the NBKR in the reporting period did not hold foreign exchange intervention.

Chapter 4. Inflation Forecast

4.1. Forecast of Key Inflation Factor Dynamics

In the first nine months of 2012 the GDP decline was 4.6 percent compared to 8.3 percent growth in 2011. As noted in previous editions of "Inflation report", the downturn in the economy was associated with the decline in gold production. Excluding companies for gold deposit "Kumtor", the actual GDP growth was 3.8 percent.

Given the negative GDP growth in the first nine months of the current year as a whole for the year is expected a slightly positive growth of the economy - not more than 1.0 percent. The final growth will largely depend on the pace of manufacturing growth. Positive contribution is expected from the service sector, construction and agriculture.

Further economic development of Kyrgyzstan depends on a number of internal and external factors: a stable development of the main economic sectors, the pace of economic growth in major trading countries-partners, as well as a stable social and political situation in the country.

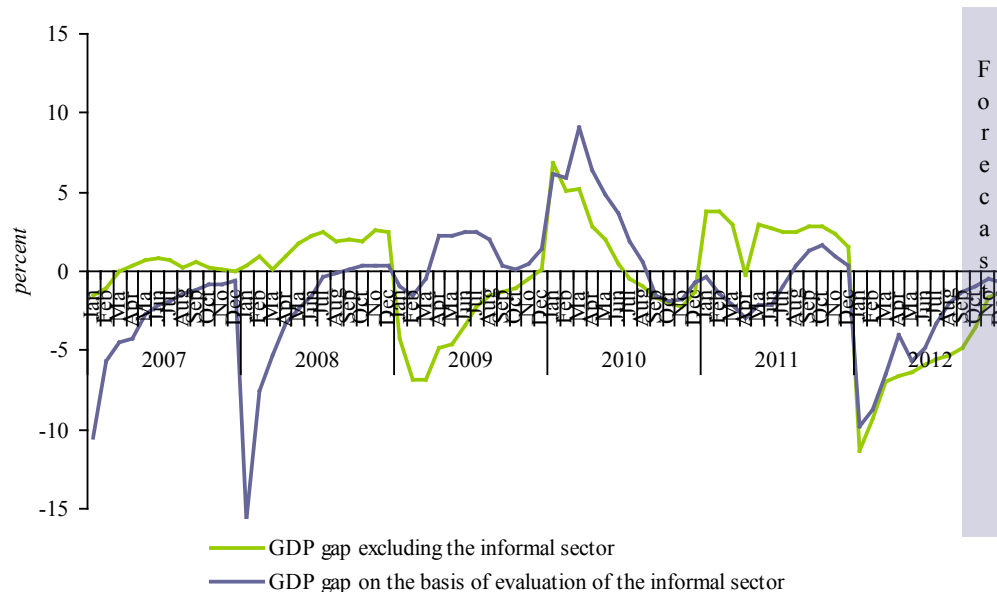
At the same time, the country's economy is characterized by the risks that could weaken the country's economic potential. Most international organizations have revised their forecasts for global growth in 2012 and 2013 to the downside amid ongoing weak macroeconomic data. Accordingly, the low rate of the economy in developed countries, a negative impact on the economies of developing countries through financial and trade channels, increase the foreign economic vulnerability of Kyrgyzstan.

The slowdown in the growth of remittances in the current year still indicates the presence of certain instability in the external environment. This situation also raises concerns about the country's further development in the short term, because the inflow of remittances into the country is one of the main factors contributing to the increase in consumption in the country.

The gap between the potential and actual GDP is calculated to assess the macroeconomic potential of the country. In January-September 2012 there was negative gap indicating that currently the production capacity of the country is not activated enough in the economy. On average, real GDP for the period was by 7.0 percent (GDP excluding the informal sector) and by 5.1 percent (GDP taking into account the informal sector) less than potential GDP.

According to the updated forecast, the excess of the actual GDP above its potential value will remain in 2012. However, given that "Centerra Gold Inc." plans to produce the most of the planned amount of gold in the fourth quarter of this year, it is expected that by the end of the year the gap will be reduced.

Chart 4.1.1. Forecast of Actual and Potential GDP



4.2. Inflation forecast for 2012 and IV quarter of 2012

By results of 2012 the inflation is expected at 8.5 percent, the current forecast takes into account the dynamics of the prices of the first half of 2012 and a moderate increase in consumer prices in the second half of the year amid rising world prices at food markets due to adverse weather conditions in the countries producing agricultural products.

Today's price dynamics in world food markets suggests that the negative impact of poor harvest this year is completely absorbed, however, given the lag effect, the response of domestic prices to shocks of commodity markets will continue until mid-2013.

Dynamics of world prices for basic food commodities by results of October 2012 remained stable for already two months in succession. Recently, however, the risks of administrative grain supply constraints in the region are increasing. Thus, the first signal is actually a secret quota for export of grain from Ukraine. A similar scenario is possible in Russia. According to independent market analysts in the preservation of the current rate of growth of export of wheat from Russia, the threshold of recommended export capacity (10-14 million tons) will be achieved in the current year, after which the Government will have to take measures to restrict exports.

At this, it should be borne in mind that Russia is a member of the CU and, likely, the restrictions on grain exports will affect all countries of the CU, as it was in 2010. In the case of restrictions on grain exports outside the CU, prices in the domestic market of the Kyrgyz Republic will respond appropriately.

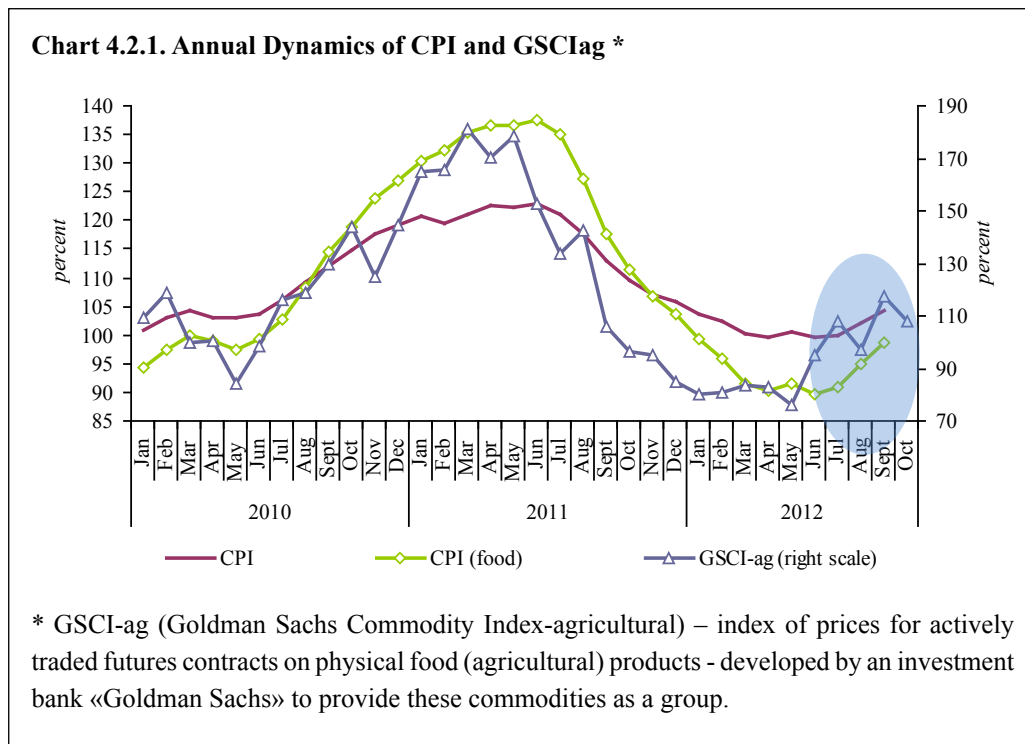
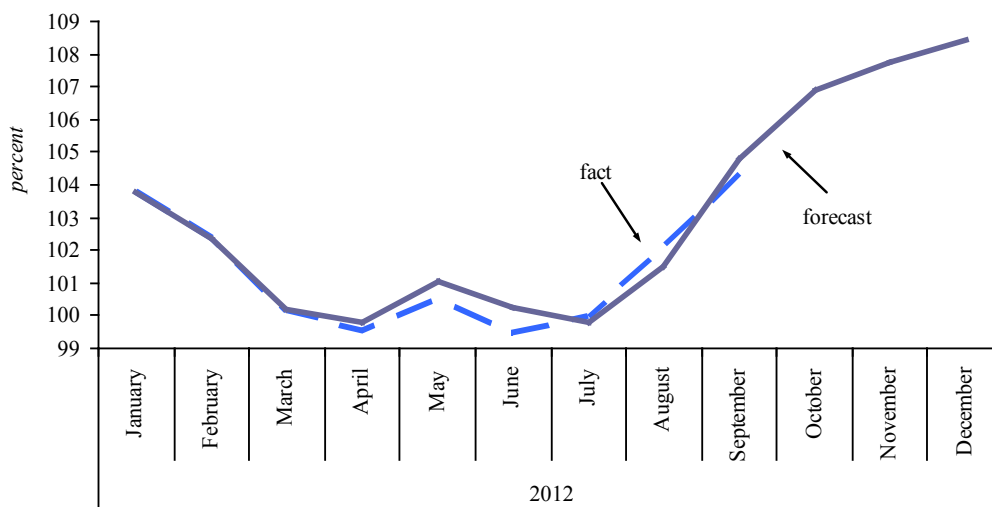


Chart 4.2.2. Annual Inflation Forecast

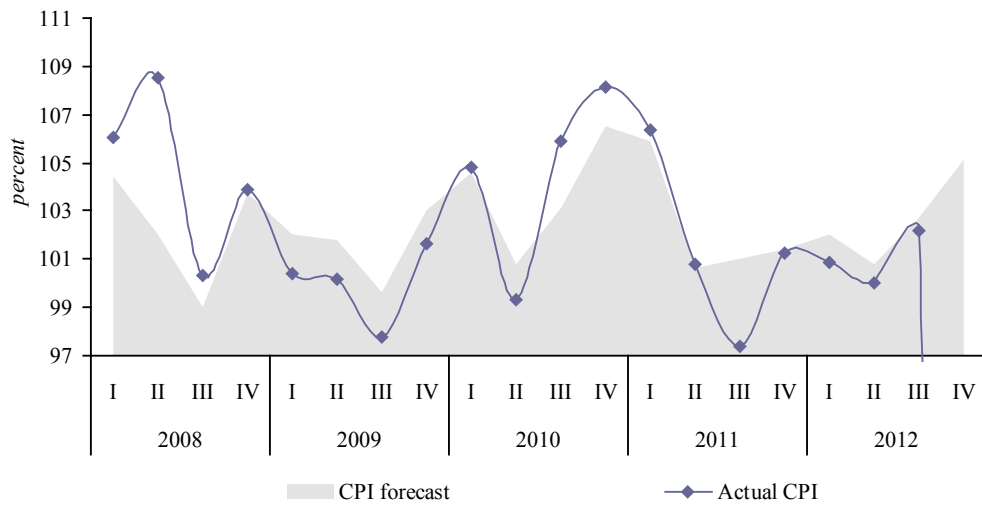


Inflation in the third quarter 2012 was at the level of 2.2 percent, which is within the limits of the forecast (2.7 percent) published in the edition of "Inflation Report in the Kyrgyz Republic for II quarter of 2012". As expected, the rise of prices in world commodity markets caused an upward trend in consumer prices in the domestic market.

In the fourth quarter of 2012, the dynamics of consumer prices in the country will remain under pressure in global food prices, but the negative effects of shocks associated with the global prices in the commodity markets will be significantly lower than in the third quarter of 2012. In the fourth quarter of 2012, inflation will mainly influenced by seasonal factors. In general, the consumer price index

in the fourth quarter of 2012 will be within 5.0 percent, annual inflation by results of 2012 will be 8.5 percent.

Chart 4.2.3. Inflation Forecast for Quarter IV of 2012



Statistical Annex

Table 1. Consumer price index
(month to corresponding month, percents)

	2012								
	Jan.	Feb.	March	Apr.	May	June	July	Aug.	Sep.
Consumer price index for goods and services	100.8	100.1	100.0	99.8	100.7	99.6	100.1	100.9	101.1
Goods	100.8	99.9	100.0	99.6	100.4	99.5	100.0	101.1	100.9
Food and soft drinks	100.7	99.3	99.4	98.7	100.1	98.7	99.7	101.4	100.9
Alcoholic beverages and tobacco	100.1	100.9	100.2	100.8	100.6	100.5	100.5	100.9	100.3
Non-food products	101.3	100.6	100.7	100.5	100.7	100.2	100.4	100.7	101.1
Services	100.7	100.7	100.2	100.6	102.6	100.2	100.7	100.2	102.2
Alcoholic beverages and tobacco products	100.7	99.3	99.4	98.7	100.1	98.7	99.7	101.4	100.9
Bakery products and cereals	98.2	98.7	99.2	99.5	99.0	99.3	102.0	107.7	100.7
high-grade wheat flour	98.0	99.2	99.4	99.7	98.7	98.4	103.5	112.0	100.4
first-grade wheat flour	94.9	96.9	98.7	99.5	98.1	98.4	104.0	114.1	102.3
bread	99.4	99.4	99.3	99.9	99.9	99.7	102.2	109.5	100.3
Meat	101.9	99.8	98.6	99.3	99.8	99.4	99.6	100.0	99.8
Fish	102.3	100.0	101.1	102.2	100.8	99.7	101.4	101.5	102.8
Diary products, cheese and eggs	102.1	100.2	98.9	97.3	96.2	96.3	97.0	100.1	106.4
Oils and fats	100.0	99.5	99.6	98.9	99.0	99.7	99.8	100.1	101.1
Fruits and vegetables	103.6	98.5	101.1	94.6	102.7	95.6	95.9	91.4	103.1
fruits	100.0	100.8	100.8	100.5	101.6	110.4	105.1	84.0	107.9
vegetables	105.1	97.6	101.3	92.3	103.2	89.3	91.1	95.9	100.6
Sugar, jam, honey, chocolate and candies	101.1	99.3	100.0	99.6	104.4	99.1	98.4	99.4	98.1
sugar	100.8	99.0	100.1	99.1	109.3	98.3	96.6	98.8	95.3
Other food products	100.9	100.4	99.5	99.7	100.4	100.2	100.1	100.1	102.1
Soft drinks	101.0	101.1	98.8	100.5	100.1	100.1	100.0	100.7	100.1
Strong drinks and tobacco products	100.1	100.9	100.2	100.8	100.6	100.5	100.5	100.9	100.3
strong drinks	100.0	101.2	100.0	100.9	100.5	100.0	100.2	101.3	100.4
tobacco products	100.5	99.9	100.8	100.4	100.9	101.9	101.3	100.0	100.1
Garments and footwear	101.9	100.2	102.1	101.9	101.2	100.6	100.3	100.4	101.4
garments	102.2	100.1	100.1	101.1	101.1	100.6	100.4	100.4	101.4
fabric for garments	102.6	100.0	100.2	100.4	100.8	100.4	102.3	100.2	100.4
garments for men	102.1	100.2	100.1	100.8	100.6	100.0	100.2	100.6	101.4
garments for women	102.3	99.7	100.2	101.2	101.0	100.1	100.4	100.0	101.9
children and newborns garments	102.2	100.3	99.4	101.4	102.0	102.0	100.3	100.8	101.0
cleaning, mending and renting garments	100.4	102.9	100.1	101.9	102.2	100.0	100.4	100.2	100.5
footwear including repair	101.2	100.3	106.8	103.5	101.3	100.5	100.1	100.2	101.4
men footwear	100.2	99.9	106.4	102.5	101.5	100.3	100.0	100.5	101.7
women footwear	101.1	100.5	108.3	104.1	101.3	100.1	100.1	100.2	101.5
children footwear	102.4	100.3	102.8	103.1	100.9	101.6	100.3	100.1	101.1
shoe repair	100.0	100.1	113.2	100.3	100.1	100.0	100.0	100.0	100.3
Housing services, water, electricity, gas and other fuels	101.2	100.6	99.2	98.9	100.1	99.7	101.0	100.9	100.3
house rent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
services for dwelling premises maintenance and repair	100.1	100.7	101.3	105.1	113.9	91.1	96.3	102.7	99.4
brick	97.0	101.3	101.2	104.0	111.2	91.2	101.8	99.7	100.0
carving wood	98.3	100.1	100.0	99.9	102.5	98.3	99.6	95.0	100.2
cement	99.5	100.1	100.4	109.7	145.0	78.4	86.7	102.7	98.0
flat glass	100.0	101.3	100.0	98.0	101.0	99.9	99.9	100.6	99.0
construction sand	100.0	101.5	100.0	124.1	103.3	87.5	98.4	107.1	99.1
slate	106.3	100.0	99.7	101.8	99.8	101.0	99.9	100.0	100.9
services for dwelling premises maintenance and repair	100.0	100.0	100.2	109.2	100.0	111.2	101.7	100.1	100.5
water supply	99.5	100.0	100.0	100.0	100.0	100.0	100.0	100.0	106.6
electricity, gas and other types of fuel	101.4	100.7	98.9	97.8	98.5	100.4	101.6	100.8	100.0
gas	108.5	100.4	99.3	100.4	100.2	100.3	100.4	99.6	98.2
Household articles, household appliances	101.0	101.2	100.5	100.9	101.1	100.8	99.9	100.7	100.9
furniture and floor coverings	100.1	100.2	99.3	100.3	100.8	100.1	100.2	100.5	101.4
household textile items	100.9	103.5	100.5	100.5	101.6	100.5	100.2	100.6	100.3
home appliances	100.1	100.6	103.4	100.2	100.1	103.5	100.0	100.3	101.7
glassworks, tableware and household stuff	102.3	102.4	100.2	100.6	100.6	100.3	100.1	103.0	100.8
Health	101.5	101.4	100.5	100.8	101.1	99.4	102.8	100.5	101.2
Transport	99.4	100.3	99.9	100.0	105.4	100.2	100.9	100.6	99.9
purchase of cars	99.8	100.5	99.7	97.0	100.4	101.4	100.7	100.0	99.3
petrol and lubricants	99.4	98.3	99.9	100.4	100.2	99.1	100.3	101.3	100.1
gasoline	99.4	98.2	99.7	100.1	100.1	99.0	100.3	101.4	100.1
diesel	99.9	99.2	102.2	103.7	101.1	99.6	99.5	99.5	100.6
maintenance and repair of personal vehicles	100.0	100.5	94.3	102.8	100.0	100.2	100.3	100.0	100.0
transport services	99.3	100.7	100.1	100.7	108.5	100.1	101.1	100.6	100.0
Communication	100.0	100.0	100.0	100.0	100.0	100.0	100.2	100.0	100.0
Recreation, entertainment and culture	100.4	101.1	101.1	101.2	98.8	100.2	100.4	101.9	101.4
cultural events services	100.4	100.3	100.0	100.4	100.1	100.0	100.0	100.0	99.5
papers, books and stationary	100.4	101.2	100.2	101.5	96.8	100.2	100.0	103.9	103.2
Education	100.3	100.0	100.0	100.0	100.0	100.0	100.1	100.0	108.1
Restaurants and hotels	102.9	102.0	100.5	100.8	101.8	100.0	100.8	100.0	101.7
catering	103.0	102.1	100.5	100.8	101.8	100.0	100.2	100.0	101.7
hotel service	100.0	100.1	100.1	100.0	101.2	100.7	124.9	100.0	102.1
Various goods and services	101.1	101.3	100.6	100.7	100.9	100.0	100.1	100.5	102.6
personal service	101.3	101.4	100.3	100.8	100.5	100.0	100.1	100.4	103.0
personal demand items, which are not included into other categories	100.0	101.0	103.3	100.0	100.2	100.0	100.1	101.6	100.2
other services, which are not included into other categories	100.0	100.0	100.0	100.0	114.1	100.0	100.0	100.0	100.0

Source: NSC KR

Table 2. Consumer price index
(month to corresponding month of the previous year, percents)

	2012								
	Jan.	Feb.	March	Apr.	May	June	July	Aug.	Sep.
Consumer price index for goods and services	103.8	102.4	100.2	99.5	100.5	99.5	100.0	102.1	104.4
Goods	102.8	101.0	98.6	97.9	98.7	97.5	98.2	100.7	103.4
Food and soft drinks	99.3	95.8	91.7	90.3	91.4	89.7	91.0	94.8	98.6
Alcoholic beverages and tobacco	109.7	110.6	109.8	110.5	110.4	110.0	108.7	109.0	108.6
Non-food products	110.0	110.3	110.4	110.1	110.6	109.8	109.3	109.0	109.9
Services	109.5	110.8	110.1	110.1	111.7	111.7	110.2	110.3	109.7
Alcoholic beverages and tobacco products	99.3	95.8	91.7	90.3	91.4	89.7	91.0	94.8	98.6
Bakery products and cereals	96.0	91.1	84.2	83.1	83.0	83.0	84.9	92.3	97.0
high-grade wheat flour	91.0	86.3	79.5	78.1	77.7	77.1	80.1	90.9	97.6
first-grade wheat flour	90.2	82.3	73.1	72.5	72.5	72.8	76.6	89.4	98.5
bread	102.2	98.6	92.6	91.9	93.5	93.3	95.4	104.6	105.6
Meat	120.9	117.0	114.4	113.5	111.4	106.9	102.3	100.6	98.6
Fish	115.2	114.2	114.5	116.5	117.7	116.5	117.5	119.2	122.1
Diary products, cheese and eggs	107.1	105.2	107.3	106.0	104.9	103.8	103.9	103.2	105.2
Oils and fats	105.0	104.3	101.2	98.8	96.9	97.2	96.8	96.8	97.9
Fruits and vegetables	76.2	73.5	70.6	67.9	74.4	70.0	78.5	89.9	104.4
fruits	86.1	85.5	84.7	82.8	79.6	83.5	102.8	104.1	124.3
vegetables	72.4	69.0	65.6	62.5	72.5	64.5	68.7	83.8	95.5
Sugar, jam, honey, chocolate and candies	98.2	93.3	92.1	91.0	95.1	93.9	90.5	86.3	91.6
sugar	84.9	79.2	79.2	78.1	85.7	84.1	78.7	73.1	79.5
Other food products	107.6	105.4	105.9	105.3	105.6	105.4	104.9	103.4	104.0
Soft drinks	110.6	110.9	106.7	106.1	107.1	104.3	103.4	103.6	103.1
Strong drinks and tobacco products	109.7	110.6	109.8	110.5	110.4	110.0	108.7	109.0	108.6
strong drinks	108.7	110.0	109.8	110.8	110.5	109.7	107.6	108.2	107.7
tobacco products	112.2	111.9	109.7	109.7	110.2	111.0	111.8	111.1	110.9
Garments and footwear	113.8	112.4	112.8	112.5	112.6	112.6	112.3	111.6	113.1
garments	112.1	111.2	111.1	111.2	111.7	111.7	111.4	110.8	111.6
fabric for garments	112.7	112.8	112.7	112.9	113.7	114.1	112.4	112.0	109.3
garments for men	111.5	110.6	111.5	111.2	110.9	109.1	108.8	108.4	108.0
garments for women	111.8	111.2	111.0	111.3	112.4	110.9	111.7	111.2	112.4
children and newborns garments	112.9	111.6	110.1	110.3	110.7	115.3	113.8	112.5	115.3
cleaning, mending and renting garments	110.9	109.9	108.7	112.7	114.9	115.0	115.2	115.0	115.0
footwear including repair	117.8	114.8	116.1	114.6	113.7	113.7	113.5	112.8	115.7
men footwear	125.9	118.0	120.4	116.6	115.7	114.0	114.0	113.6	115.1
women footwear	116.0	114.1	115.5	114.3	113.3	113.8	113.9	113.6	117.1
children footwear	112.0	113.3	112.3	113.2	112.8	113.2	111.9	109.7	112.0
shoe repair	110.4	107.9	114.4	113.4	113.2	110.8	110.8	110.8	114.2
Housing services, water, electricity, gas and other fuels	103.2	104.5	104.6	104.7	106.9	106.0	106.7	107.5	107.2
house rent	114.8	114.2	114.2	114.2	114.2	114.2	114.2	114.2	100.0
services for dwelling premises maintenance and repair	107.9	108.9	107.7	112.2	127.2	114.7	107.2	110.3	109.9
brick	99.8	101.1	99.3	103.0	113.6	103.3	99.8	99.4	102.1
carving wood	108.0	108.0	105.2	104.1	106.5	99.6	99.0	93.2	93.8
cement	95.1	96.4	95.1	104.0	151.0	118.1	100.9	106.9	107.2
flat glass	107.3	109.5	109.5	107.2	108.6	104.9	105.5	105.9	98.7
construction sand	117.2	118.9	108.4	131.7	133.8	117.1	115.4	122.3	118.9
slate	111.3	111.4	111.0	111.9	110.6	112.5	112.2	112.0	111.3
services for dwelling premises maintenance and repair	95.7	95.7	95.9	103.8	103.2	130.2	132.9	129.3	130.4
water supply	105.8	105.8	105.8	105.8	105.8	100.8	100.8	100.3	106.0
electricity, gas and other types of fuel	103.6	105.0	105.2	104.4	105.2	104.5	106.3	107.1	106.4
gas	99.9	101.4	101.3	103.0	104.0	102.0	102.4	102.6	100.3
Household articles, household appliances	112.5	112.6	112.7	112.8	113.8	113.1	110.7	109.7	110.4
furniture and floor coverings	115.5	113.7	112.4	112.5	112.7	110.1	109.1	107.1	105.8
household textile items	111.5	115.4	115.0	114.4	116.0	115.2	112.9	112.0	110.9
home appliances	110.7	110.1	113.7	114.5	114.3	116.6	115.1	114.1	115.3
glassworks, tableware and household stuff	107.5	110.0	109.8	110.3	111.0	110.2	106.2	108.3	114.6
Health	112.0	112.0	111.7	112.1	112.7	111.4	113.5	111.7	112.0
Transport	103.4	106.9	106.6	106.2	109.4	108.6	107.8	108.2	107.3
purchase of cars	99.4	99.7	99.4	96.8	97.8	100.9	101.8	102.4	101.2
petrol and lubricants	99.0	110.4	111.1	110.4	106.3	103.8	100.8	100.1	100.4
gasoline	99.1	110.6	111.4	110.5	106.9	103.8	100.1	99.6	99.8
diesel	104.8	115.4	116.2	116.0	105.3	106.7	108.5	106.0	106.7
maintenance and repair of personal vehicles	100.3	100.8	95.1	97.8	97.8	97.6	97.3	102.6	101.9
transport services	105.8	109.1	108.7	108.8	114.1	112.6	111.8	112.1	111.1
Communication	103.1	103.1	100.0	100.0	100.0	100.0	100.2	100.2	100.2
Recreation, entertainment and culture	111.6	111.9	111.3	112.3	110.1	110.2	109.1	108.6	109.9
cultural events services	117.3	115.2	113.9	111.1	104.1	104.0	104.1	104.1	103.4
papers, books and stationary	117.0	116.9	113.6	115.2	111.5	111.7	108.8	107.1	111.4
Education	116.0	114.9	114.8	114.8	114.5	114.6	111.9	111.9	111.8
Restaurants and hotels	115.9	117.9	118.2	118.9	121.0	119.7	115.6	115.6	113.1
catering	116.0	118.1	118.5	119.2	121.3	120.0	115.2	115.1	112.6
hotel service	110.0	108.2	108.1	108.5	110.0	104.4	130.2	129.9	132.0
Various goods and services	106.4	107.3	107.5	106.6	107.1	106.9	106.1	105.8	109.0
personal service	106.5	107.6	107.5	107.4	107.5	107.0	106.1	106.0	109.9
personal demand items, which are not included into other categories	107.7	107.5	111.1	111.1	111.3	111.2	110.9	109.0	107.8
other services, which are not included into other categories	99.0	97.7	95.9	75.6	86.3	90.8	90.8	90.8	90.8

Source: NSC KR

Table 3. Indices of prices and physical volume of import for January-August 2012

Product name	8 mon.	8 mon.	8 mon.	Indexes		
	2012	2011	2011	price	phys. vol.	value
	mln. USD n12*p12	mln. USD n12*p11	mln. USD n11*p11			
A	B	C	A/B	B/C	A/C	
Petroleum, petroleum products and related materials	633.2	582.5	483.3	1.09	1.21	1.31
Cast-iron and steel	140.0	134.7	84.4	1.04	1.60	1.66
Vehicles for cargo transportations and vehicles of special assignment	118.6	192.0	67.5	0.62	2.84	1.76
Medicaments	90.8	115.0	95.0	0.79	1.21	0.96
Sugar, sugar products and honey	63.8	73.9	67.8	0.86	1.09	0.94
Crops and mangcorn, unmilled	61.9	96.2	44.0	0.64	2.19	1.41
Essential oils and resinoids and perfume materials	54.8	51.9	49.5	1.06	1.05	1.11
Natural gas in gaseous state	53.3	53.9	43.7	0.99	1.23	1.22
Rubber tires	48.1	29.2	30.9	1.65	0.95	1.56
Electric wire telephone or telegraph sets	47.9	37.9	52.4	1.26	0.72	0.91
Coffee, tea, cocoa, spices and their products	46.9	44.0	43.1	1.07	1.02	1.09
Meat and meat products	46.7	43.3	49.4	1.08	0.88	0.95
Fertilizers	44.8	36.3	32.3	1.24	1.12	1.39
Woven fabrics made of artificial textile materials	43.6	42.8	39.6	1.02	1.08	1.10
Paper, cardboard and products made of paper stock, paper and cardboard	42.9	43.8	41.0	0.98	1.07	1.05
Vegetable oils and fats, raw materials	40.8	47.7	35.7	0.86	1.34	1.14
Sawed or spitted lengthwise conifer wood	36.6	31.5	26.5	1.16	1.19	1.38
Inorganic chemicals	36.4	32.2	26.4	1.13	1.22	1.38
Food products and preparations not included into other categories	34.2	24.2	26.1	1.41	0.93	1.31
Footwear with rubber or synthetic sole and upper	34.0	35.1	21.6	0.97	1.63	1.57
Plastics in prime form	33.6	35.3	30.1	0.95	1.17	1.12
Imperfect metal products not included into other categories	29.5	20.0	25.3	1.48	0.79	1.16
Plastics in non-prime form	26.7	26.3	19.0	1.01	1.38	1.40
Design and construction elements of cast iron not included into other categories	25.0	29.0	10.0	0.86	2.91	2.51
Mechanical shovels, excavators and scoop loaders	24.8	35.5	14.2	0.70	2.49	1.74
Compressed wood and restored wood	23.7	30.3	17.8	0.78	1.70	1.33
Coloring and tanning matters and dyes	22.8	18.6	15.1	1.23	1.23	1.50
Products from grain and products from flour or starch	22.4	22.4	18.7	1.00	1.20	1.20
Vegetables and fruits	21.0	16.8	23.2	1.25	0.72	0.91
Alcohol beverages	20.6	19.9	21.8	1.04	0.91	0.95
Sugar-sweetened mineral water and soft drinks	19.6	18.7	17.7	1.05	1.06	1.11
Coal, coke and briquette	19.0	16.4	19.1	1.16	0.86	1.00
Wire products and fencing mesh	18.7	8.5	3.5	2.21	2.41	5.33
Coarse flour, low-ground flour, wheat and mangcorn flour	18.6	28.8	27.7	0.65	1.04	0.67
Hand and machine tools	18.4	20.4	15.2	0.90	1.34	1.21
Electrical distribution equipment not included into other categories	18.2	17.0	8.9	1.07	1.90	2.04
Airplanes and other aircraft	15.6	13.2	6.6	1.19	2.00	2.37
Trousers, coveralls, breeches and shorts for men and boys	14.9	14.2	10.6	1.05	1.34	1.40
Gold, nonmonetary	14.4	2.4	0.2	5.99	11.67	69.83
Machines for mixing, grading, leveling	14.2	254.8	8.0	0.06	31.68	1.76
Transformers, electric	13.7	1.7	0.5	7.84	3.41	26.70
Household refrigerators and freezers	13.1	12.5	11.0	1.05	1.13	1.19
Knitted or crocheted garments for women and girls	12.3	8.9	5.2	1.38	1.71	2.35
Other machines for drilling and tunneling	11.9	2.9	3.7	4.15	0.77	3.19
Knitted or crocheted garments for men and boys	11.5	5.0	4.2	2.29	1.19	2.72
Cars and vehicles for transportation of people	11.4	15.5	13.6	0.74	1.14	0.84
Machines for automatic data processing and their blocks	10.5	11.5	10.3	0.91	1.11	1.02
Batteries and electric accumulators; their spare parts	10.4	4.7	6.1	2.20	0.77	1.70
Machines for sorting, sieving, separating of ground coats, stones and ores	10.3	16.1	14.6	0.64	1.10	0.71
Electric accumulators	10.2	7.6	3.7	1.34	2.06	2.76
Glazed ceramic tiles	10.2	11.0	7.7	0.93	1.43	1.32
Trousers, coveralls, breeches and shorts for women and girls	10.1	9.7	6.2	1.05	1.56	1.63
Electric and heat devices not included into other categories	10.1	8.1	7.3	1.25	1.12	1.39
Tractors	9.7	10.5	2.9	0.92	3.64	3.35
Hardboard	9.6	9.3	8.3	1.04	1.11	1.16
Milk, cream and dairy products, except butter and cheese	9.3	9.4	6.6	1.00	1.41	1.41
Trailers and semi-trailers for goods transportation	9.0	10.3	4.3	0.87	2.36	2.06
Refractory bricks and other refractory construction materials	8.9	2.5	0.5	3.53	4.77	16.84
Margarine and combined fats	8.8	9.1	8.9	0.97	1.02	0.99
Filtering and purifying machinery for liquids or gases	8.7	4.1	3.4	2.15	1.20	2.57
Fish, crustacean mollusks and aquatic invertebrates	8.7	7.8	7.1	1.11	1.10	1.22
Various chemical products not included into other categories	8.6	7.0	6.6	1.23	1.06	1.30
Medical and pharmaceutical products	8.6	9.2	9.6	0.93	0.96	0.90
Jackets, pullovers, cardigans, waistcoats and similar articles	8.5	6.9	8.4	1.22	0.82	1.00
Nails, screws, nuts, bolts, rivets, etc. of iron, steel or copper	8.4	7.3	7.8	1.16	0.94	1.08
Floor coverings	8.0	7.4	7.2	1.08	1.03	1.12
Other minerals	7.8	5.5	7.1	1.41	0.78	1.10
Products from non-metallic minerals not included into other categories	7.6	6.5	5.3	1.18	1.21	1.42
Rice	7.5	8.1	4.7	0.93	1.75	1.62
Machinery and mechanical equipment, industry-specific	7.2	10.2	3.1	0.70	3.28	2.30
Insecticides, rodenticides, fungicides, herbicides	7.1	7.5	7.2	0.95	1.04	0.99
Pottery	7.1	7.2	5.5	0.99	1.30	1.28
Electric communication equipment not included into other categories	7.0	2.5	1.2	2.74	2.17	5.96
Prepared additives for mineral oils	6.7	6.4	5.5	1.04	1.17	1.22
Glass containers, glass stoppers	6.7	10.1	8.4	0.66	1.20	0.80
Nomenclature Total (mln, USD)	2,466.3	2,676.3	1,896.9	0.92	1.41	1.30
Nomenclature Total (% of total imports)	75%		75%			
Total import	3,278.6		2,512.9			

According to the NSC at FOB prices; the Table demonstrates the fist 75 import 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-August 2012

<i>Product name</i>	<i>8 mon.</i>	<i>8 mon.</i>	<i>8 mon.</i>	<i>Indexes</i>		
	<i>2012</i>	<i>2011</i>	<i>2011</i>	<i>price</i>	<i>phys. vol.</i>	<i>value</i>
	<i>mln. USD</i>	<i>mln. USD</i>	<i>mln. USD</i>			
	<i>n12*p12</i>	<i>n12*p11</i>	<i>n11*p11</i>			
A	B	C	A/B	B/C	A/C	
Gold, nonmonetary	248.2	222.1	671.6	1.12	0.33	0.37
Vegetables and fruits	85.7	66.8	77.7	1.28	0.86	1.10
Inorganic chemicals	76.0	6.7	11.6	11.29	0.58	6.57
Petroleum, petroleum products and related materials	72.6	57.0	61.2	1.27	0.93	1.19
Electrical current	43.9	39.1	59.6	1.12	0.66	0.74
Ores and concentrates of precious metals	33.5	48.7	9.9	0.69	4.94	3.40
Vehicles for cargo transportations and vehicles of special assignment	23.1	19.1	7.5	1.21	2.55	3.09
Dresses	18.5	22.7	14.4	0.81	1.57	1.28
Milk, cream and dairy products, except butter and cheese	17.8	20.6	19.0	0.87	1.09	0.94
Blouses, jackets and jacket-blouses for women and girls	17.3	21.7	17.0	0.80	1.27	1.02
Cast-iron and steel	16.8	9.8	8.7	1.72	1.12	1.93
Cotton	16.7	18.4	5.5	0.91	3.35	3.04
Trousers, coveralls, breeches and shorts	14.8	16.7	11.7	0.89	1.42	1.27
Incandescent lamps	12.5	11.7	12.2	1.07	0.96	1.02
Raw tobacco; tobacco waste	10.4	9.1	9.3	1.15	0.98	1.13
Overcoats, carcoats, capes, cloaks and similar articles for women and girls	9.6	14.6	8.1	0.66	1.80	1.18
Knitted or crocheted garments for women and girls	9.2	9.7	14.6	0.95	0.67	0.63
Hosiery, knitted or crocheted	9.2	11.3	5.3	0.82	2.13	1.74
Various base metals used in metallurgy, and ceramic metal	8.9	9.9	4.5	0.90	2.19	1.97
Metal scrap and waste of precious non-ferrous metals	7.5	6.3	6.5	1.20	0.96	1.15
Portlandcement, cement	7.2	6.8	4.8	1.06	1.41	1.50
Skirts and divided skirts	7.1	9.0	7.9	0.79	1.15	0.90
Paper, cardboard and products made of paper stock, paper and cardboard	6.7	6.1	5.6	1.10	1.09	1.19
Trousers, coveralls, breeches and shorts for men and boys	6.2	7.1	6.9	0.87	1.04	0.90
Rubber tires	5.2	3.8	6.6	1.35	0.58	0.79
Metal waste and scrap of ferrous metallurgy	5.0	4.8	9.7	1.04	0.50	0.52
Live animals	5.0	3.3	4.9	1.51	0.68	1.02
Hand and machine tools	4.4	5.2	5.9	0.84	0.89	0.75
Cars and vehicles for transportation of people	4.2	4.4	2.8	0.96	1.56	1.49
Food products and preparations not included into other categories	3.6	0.3	2.6	13.82	0.10	1.37
Skins of bovine or equine hides and rawhide	3.2	2.5	2.5	1.27	1.00	1.27
Butter and other fats and oils derived from milk	3.1	3.2	1.9	0.97	1.66	1.62
Products from grain and products from flour or starch	3.1	2.8	2.3	1.08	1.24	1.35
Meat and meat products	3.0	1.9	1.8	1.56	1.07	1.67
Coffee, tea, cocoa, spices and their products	3.0	2.6	2.5	1.15	1.04	1.19
Nomenclature Total (mln, USD)	822.0	705.6	1,104.4	1.16	0.64	0.74
Nomenclature Total (% of total exports)	84%		88%			
Total export	978.3		1,250.5			

According to the NSC at FOB prices; the Table demonstrates the first 35 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 whose 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 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 depository 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.

“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.

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 assumes 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
MPC	Monetary Policy Committee
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
SFBR	Specialized Fund for Banks Refinancing
ST-Bills	State Treasury Bills
ST-Bills(s)	State Treasury Bills for settlement
ST-Bonds	State Treasury Bonds
USA	United States of America