



MONETARY POLICY STATEMENT

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The Board of Directors decided to increase the policy rate to 11% at its meeting on July 22 of 2010. The y-o-y inflation of Ulaanbaatar was 12.5% by June of this year.

In order to prevent from the second round effects of the supply factors and to lower the pressure and expectation of the inflation caused by the allowance distribution of Human Development Fund, the Central Bank has begun taking the steps to tighten the monetary policy from this May. Under the scope of mid-term budget approved by the Parliament in July, the monetary policy is not be tightened again through limiting the 5% deficit in 2011, 11% in 2012 and 5% in 2013.

Due to the Government actions to improve the supply of food products, the inflation growth has been decelerated in the first quarter of 2010.

In the first half of 2010, the increase of 13.4% in y-o-y and 9.6% y-to-date in loans outstanding and the rise of 12.4% in y-o-y in production sectors show the increasing sign in private sector. Continuing the measures to improve the supply of food products is the main condition to stabilize and decrease the inflation caused by supply sectors. The Central Bank stresses the importance of structural bottleneck in infrastructure and the enhancement of supply capacity to keep the activation with no inflation pressure.

Since the low and sustainable inflation protects the real income of the population and the economic stability in mid and long terms, the Central Bank would strictly keep implementing the policy to limit the inflation.

In future, the Bank of Mongolia takes the necessary actions at the appropriate time.

THE BANK OF MONGOLIA