



MONETARY POLICY STATEMENT

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October 25, 2011- BoM Board of Directors decided to increase the policy rate by 0.5 unit percent to 12.25%. The inflation speeds up and includes more and more kinds of products. The National Statistical Office of Mongolia announced that the national CPI has grown to 10.5%, the capital city's CPI was to 11.9% as of September, 2011.

The rapid expansion of budget expense, cash hand-out from the Human Development Fund and the high increase in loans are contributing to higher demand. This sharp increase in demand builds the pressure on core inflation even the total supply and the real capacity of economy have not added on yet. The consecutive growth in prices of non-food products from the beginning of 2011 and the current stand in yoy 11.3% prove that the increase of total demand is bringing the growth of core price.

The budget amendment of 2011 and the draft of 2012 budget probably have risk to build the unstable condition of macroeconomy as highly increasing the total demand and the inflation pressure. The debt crisis of European countries and the stagnation of economic growth in USA have shown the unpleasant outlook of world economy in upcoming years.

The Bank of Mongolia is taking the action to decentralize the expected inflation pressure, economic overheat and to maintain the stability of macroeconomy.

BANK OF MONGOLIA