



MONETARY POLICY STATEMENT

Keeping the policy rate unchanged

No: 2023/04

Date: December 14th, 2023

The Monetary Policy Committee (MPC) of the Bank of Mongolia held its scheduled meetings on December 13th and 14th, 2023. Considering the current state of the economy, financial markets, and the outlook and risks to both domestic and foreign economic environments, the MPC decided to maintain the policy rate unchanged at 13 percent. This decision aligns with our objective of stabilizing inflation around the target level and ensuring macroeconomic and financial stability.

In November 2023, the annual inflation reached 8.6 percent nationwide and 9.4 percent in Ulaanbaatar. Inflation has declined owing to the stabilization of supply-driven inflation, the strengthening of MNT exchange rate against foreign currencies compared to the previous year, a deceleration in the growth of foreign prices and transportation costs, as well as results of tight monetary policy measures implemented over the past two years. However, the higher budget expenditures, particularly on wages and pensions, will persist next year, further amplifying the demand-side pressures.

The coal exports reached a record high level, and economic growth exceeded expectations in the first three quarters of this year. The revival of the mining sector has boosted the transportation, trade and services sectors, while household consumption continues to recover following the growth of real income. In the future, the growth of mining production and the expansion of budget expenditures are expected to positively influence the economic growth outlook.

Tensions in the Middle East have escalated risks and uncertainties in the global economy. The slowdown in the global and Chinese economic growth, including the ongoing challenges in China's real estate sector, heightens the risk of further declines in commodity prices as well as external demand from this year.

The subsequent policy actions will depend on developments in the external and domestic economy, as well as changes in the outlook of inflation and macroeconomic conditions.

Extracts of the meeting minutes will be released on the Bank of Mongolia's official website in two weeks.

MONETARY POLICY COMMITTEE