



MONETARY POLICY STATEMENT

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April 27, 2011 – Board of Directors of the Bank of Mongolia decided to increase the policy rate by 0.5 unit percent basing on the below grounds.

- Inflation in Ulaanbaatar was decreased 7.4% as of March-2011 owing to the low price of meat. However, the core inflation counted as passing the main food product was 7.9%. The growth of core inflation over the general one shows that the inflation comes out due to the excess money supply.
- Year over year the money supply has been raised up by 67% /MNT 1.8 trillion/ as March of 2011 and also there is still some expectation of inflation growth. The amount of money from abroad affected the rise in supply and the prospect of loan rate increase. Also, the loan outstanding of financial system was added by 35% /MNT 962 billion/ YOY. The demand comes from the excess supply would only bring the climb in cost of good and service.
- According to the BoM inflation forecast, the inflation would reach 15-20% in December of 2011 if the above process keeps going.

Since the economic overheat signs are appeared in our country, it is urgent for the Central Bank to tighten the monetary policy in order not to face the economic instability.

The Central Bank is taking the step considering not only the statistic, but also seeing the estimation of the inflation expectation and the real risks. It means that the decision was made by conceiving the far future, not only the recent days.

The policy rate growth intends to prevent from the overheating of midterm macro economy and to lessen the high pressure of basic inflation raised by the rapid activation economy.

THE BANK OF MONGOLIA