



**THE BANK OF MONGOLIA**  
**MONETARY POLICY STATEMENT**  
**Cutting the policy interest rate**

**Number: 2016/02**

**Effective date: 06 May 2016**

As its meeting on 05 May 2016, the Monetary Policy Committee (MPC) of the Bank of Mongolia decided to cut the policy interest rate by 1.5 percentage point to 10.5 percent.

Annual inflation measured by CPI declined to 1.7% as of March 2016, has still been lower than the targeted level for the last consecutive 9 months. Both demand-driven and supply-shock inflationary pressures are expected to be at low level throughout this year; therefore it shall positively affect maintaining low and stable inflation. The overall balance of payments is projected to have no deficit at the end of 2016, supported by a positive outlook for foreign direct investments in the medium-term. Favorable changes and positive developments in macroeconomic external balance have further expanded monetary policy room towards continued easing.

However, it has been a mandatory measure and inevitable adjustment to cut budget expenditures in conjunction with the underperformance of revenues, and nullify budget deficits in order to achieve key objectives of macroeconomic policy framework “The New Equilibrium”.

This decision on cautious and monetary easing shall positively affect promoting monetary and credit growth, private sector investments and economic activities.

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

**MONETARY POLICY  
COMMITTEE**