



## **MONETARY POLICY STATEMENT**

### **Keeping the policy rate unchanged and Setting debt to income ratio**

**Number: 2018/02**

**Effective date: June 15<sup>th</sup>, 2018**

Amendments to the Law on Central Bank (the Bank of Mongolia) was approved by the Parliament of Mongolia and have been put into effect starting April 1<sup>st</sup>, 2018. In-line with the amendments, the Parliament appointed the Monetary Policy Committee as the official monetary policy decision making body which relies on a collective decision-making framework. Moreover, monetary policy decisions by the Committee are set to be made after meetings held in two phases. In this regard, the first meeting of the Committee was held on June 11<sup>th</sup>, followed by a second meeting on June 15<sup>th</sup>, during which current economic conditions, economic outlook and risks, monetary policy stance as well as alternative scenarios were discussed and a final decision was made by a majority of votes.

The Monetary Policy Committee of the Bank of Mongolia decided to keep the policy rate unchanged at 10 percent and set a ceiling on debt to income ratio for personal consumption credits at 70 percent.

Annual inflation measured by the consumer price index reached 6.1 percent nationwide and 6.6 percent in Ulaanbaatar city as of May 2018. Though economic growth is expected to pick up further, inflation outlook is stable around the target level of 8 percent.

Despite rising prices of importing oil at the global market, prices of some exporting commodities have been improving, leading to a relatively stable outlook for terms of trade.

Acceleration of economic activities in the first quarter has been consistent with the expectations of the Bank of Mongolia. Investments to the mining sector continued to expand; investor and consumer confidence have been recovering and business conditions have been gradually improving. However, surges of imports

in tandem with higher exports may pose downside risks to the balance of payments.

Though household income has been increasing gradually, rapid acceleration of consumption credit growth in recent years is expanding household debt. As such, with the purpose of alleviating household debt pressure and thus, preventing risk accumulation in the financial sector, the Bank of Mongolia set a ceiling for debt to income ratio on personal consumption credits issued by banks, to be in effect starting 2019.

These policy decisions are consistent with the policy objective to stabilize inflation around the target level in the medium term, while continue to support economic growth and ensure macroeconomic and financial stability in the medium and long term.

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

## **MONETARY POLICY COMMITTEE**