



MONETARY POLICY STATEMENT

Increasing the policy rate

Number: 2018/04

Effective date: 27 November 2018

At the unscheduled meeting held on 27 November 2018, the Monetary Policy Committee decided to increase the Policy rate by 1.0 percentage point to 11 percent.

As of October 2018, annual inflation measured by the consumer price index has reached 6.3 percent nationwide and 6.8 percent in Ulaanbaatar city. Although the price of commodities remained relatively high and economic growth reached 6.7 percent in the third quarter, exceeding previous expectations, uncertainties in the external sector remain elevated.

Approval of next year's budget with a relatively high level of deficit, the US Federal Reserve's decisions to raise its federal funds rate, and the People's Republic of China's action to limit its coal imports, are adversely affecting the balance of payments and thus creating pressures on the exchange rate. Hence, considering the uncertainties in the external sector, with the intention to preserve economic recovery at a medium term sustainable path, the Monetary Policy Committee decided to increase the policy rate, during its unscheduled meeting.

The decision is consistent with the Bank's mandate to keep inflation rate around the medium term target rate and is intended to increase yield for assets in togrog, to support credibility of the national currency, and to sustain macroeconomic stability in the medium term.

The Bank of Mongolia decided to issue central bank bills with maturities of 28 weeks, starting from December 2018.

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

MONETARY POLICY COMMITTEE