



## MONETARY POLICY STATEMENT

### Keeping the policy rate unchanged and setting the refinancing amount

**No: 2021/01**

**Date: March 24, 2021**

The Monetary Policy Committee (MPC) of the Bank of Mongolia held a scheduled meeting on March 24, 2021. With due consideration to the current state and future outlook of the economy and financial markets, as well as to risks inherent in domestic and foreign environments, the MPC, with the purpose of continuing to ease financial conditions, reached a decision to:

1. Keep the policy rate unchanged at 6 percent;
2. Provide up to MNT 350 billion under the long-term repo financing instrument in the second quarter of 2021. The scope of this funding instrument is expanded to include businesses in the manufacturing and services sectors, as well as entities with more than 200 employees operating in the trade sector.

Annual headline inflation stands at 2.6 percent nationwide and 2.0 percent in Ulaanbaatar city as of February 2021. It is expected that while the impact of demand-side factors on inflation will gradually increase in the coming quarters as the economy recovers, supply-driven inflation will rise due to the base effect of fuel and refined fuel prices. Although the baseline projection indicates that inflation will stabilize around its medium-term target in 2021, the outlook could deviate due to the situation pertaining to the spread of Covid-19 and vaccination performance.

If vaccination continues successfully, it is expected that economic activity will pick up and businesses will return to normal levels. Export revenues increased by 73 percent in the first two months of 2021, and the manufacturing sector grew by 66 percent and 37 percent in January and February, respectively. Moreover, the international ratings agency, Moody's, has upgraded the outlook of Mongolia's credit rating from "negative" to "stable" on the basis of increased accumulation of foreign reserves, lower short-term external debt pressures, and a positive economic outlook.

The step-by-step implementation of monetary and macroprudential policy measures and the adoption of new financing instruments by the central bank directed at mitigating the impact of the COVID-19 pandemic contribute to facilitating economic recovery and ensuring banking sector stability.

The MPC shall make the necessary policy adjustments in the event that inflation exceeds its target.

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

**MONETARY POLICY COMMITTEE**