



MONETARY POLICY STATEMENT

Keeping the policy rate unchanged and setting the reserve requirements

Number: 2019/04

Date: 20 December 2019

The Monetary Policy Committee meeting was held on 20 December 2019. The Committee decided to keep the Policy rate unchanged at 11 percent and the reserve requirement on banks' liabilities in togrog at 10.5 percent, while increasing the requirement on liabilities in foreign currency by 3 percentage points to 15 percent.

Annual headline inflation reached 5.2 percent nationwide as of November 2019. Inflation fluctuations are mainly attributed to price swings of few items related to supply changes, while the demand induced core inflation remains stable and inflation is expected to be consistent with the Central bank's target.

Although, relatively favorable level of export prices, expansion of fiscal spending, and sustained investments in mega projects are supporting the economic growth, it is expected to decelerate due to uncertainties in the external environment. In the upcoming year, fiscal expenditure and rising wages are likely to support the domestic demand. Nevertheless, on account of weaker growth in the mining sector and deceleration in investments, economic activities are expected to be limited.

In relation to weakening economic growth and bank lending the Monetary Policy Committee discussed the option of reducing the policy rate. However, considering the performance of fiscal spending and uncertainties in the external environment the Committee decided to keep the policy rate unchanged, this time.

Furthermore, the Committee decided to increase the reserve requirement on banks' liabilities in foreign currency by 3 percentage points, with the purpose of sustaining relative yield of togrog and consequently to minimize exchange rate fluctuations.

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

MONETARY POLICY COMMITTEE