



MONETARY POLICY STATEMENT

Lowering the policy rate, setting the reserve requirements on liabilities in togrog and the interest rate corridor

Number: 2020/01

Date: 11th of March 2020

The Monetary Policy Committee meeting was held on the 11th of March 2020. The Committee decided to lower the policy rate by 1 percentage point to 10 percent, lowering the reserve requirement on banks' liabilities in togrog by 2 percentage points to 8.5 percent, and changing the range of interest rate corridor to be +1, -1 percentage points from the policy rate.

Annual headline inflation reached 5.6 percent nationwide and 6.0 percent in Ulaanbaatar city as of January 2020. The demand induced inflation is expected to be moderate in line with resuming downward trend in economic growth. However, supply-driven volatility in inflation could arise if supplies of some imported foods are hindered.

The increased uncertainties regarding the spread of Covid-19 have emerged the risk of aggravating the slowdown in economic growth due to weaker external demand, lower commodity prices, and sluggish external and domestic economic activities. Furthermore, the impact of Covid-19 on the economy would depend on the scale of the virus' spread, length of containment period, and policy measures to prevent the spread of the virus. While the possibility of weaker export revenue looms, a continued decline in the consumer imports and a sharp fall in oil price at the global market would reduce the depreciation pressure on the exchange rate.

The Monetary Policy Committee decided to take the above mentioned comprehensive policy measures to relieve financing costs of banks, to support financial intermediation, and to stimulate economic growth by considering the current macroeconomic and financial outlook and its prospects, main driving factors, and uncertainties and risks in the domestic and external environment. The decision is aimed to ensure economic and financial stability while keeping the inflation rate around the target rate.

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

MONETARY POLICY COMMITTEE