MONETARY POLICY STATEMENT

Increase in the Policy Rate and Reserve Requirement on Domestic Currency Liabilities

No: 2026/05
Date: August 12, 2026

The Monetary Policy Committee (MPC) of the Bank of Mongolia held an unscheduled meeting on August 12, 2026. Considering the current state of inflation, the macroeconomy, the banking sector, and financial markets, as well as the domestic and global economic outlook and associated risks, the MPC decided to:

1. Raise the policy rate by 0.5 percentage point to 12.5 percent;
2. Increase the reserve requirement on domestic currency liabilities by 0.5 percentage point to 14.5 percent.

This decision aims to anchor inflation expectations, contain the second-round effects from supply-driven inflation, and ensure that togrog yield is consistent with the policy objectives.

Annual inflation reached 13.0 percent nationwide and in Ulaanbaatar as of July. Increases in fuel, food, and administered prices account for most of the recent rise in inflation. Meanwhile, core inflation accelerated slightly more than expected in July 2026 after rising gradually since the beginning of this year. The increase in fuel prices poses a risk of further upward pressure on core inflation through its impact on production costs and the prices of other goods and services. However, increased supplies of meat and vegetables from this month onward are expected to ease food inflation.

Geopolitical tensions have heightened uncertainty surrounding fuel prices and supply. Meanwhile, the external inflation is projected to be higher than previously anticipated and there is a growing market expectation that major central banks will raise their policy rates.

The increase in prices of key mining products, particularly coal and copper, and the strong growth in export volumes since the beginning of the year have contributed to an improvement in the terms of trade and a balance of payments surplus, thereby supporting economic activity.

Annual inflation is projected to stabilize and return to the target range from the middle of next year, with the expectation that food inflation will moderate from August as supplies of meat and vegetables increase and fuel price increases will not accelerate. However, risks to inflation outlook remain elevated, including the possibility of prolonged fuel supply restrictions and persistently high external inflation. Therefore, the MPC decided to tighten the monetary policy stance to anchor inflation expectations and contain the second-round effects of supply-driven price increases.

Looking ahead, the MPC will make decisions on the policy rate based on inflation developments, supply-side conditions, along with the outlook for external and domestic economic environment.

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

MONETARY POLICY COMMITTEE