MONETARY POLICY STATEMENT
Keeping the policy rate unchanged

No: 2026/06
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The Monetary Policy Committee (MPC) of the Bank of Mongolia held its scheduled meetings on September 16 and 17, 2026. Considering inflation dynamics, macroeconomic conditions, the banking sector, and financial markets, as well as the domestic and global economic outlook and associated risks, the MPC decided to keep the policy rate unchanged at 12.5 percent.

In August 2026, annual inflation decreased by 0.5 percentage points to 12.5 percent nationwide and by 1.4 percentage points to 11.6 percent in Ulaanbaatar. The moderation in inflation from the previous month was mainly driven by a decline in food inflation, with increased supplies of meat and vegetables. Core inflation also eased slightly from the previous month, reaching 6.8 percent in August. Looking ahead, higher fuel prices and their pass-through effects, rising global food prices, as well as potential increases in budget expenditures and wages could pose upside risks to inflation.

The economy grew by 7.7 percent in the first half of 2026, mainly supported by the mining and transportation sectors, while activity in other sectors remains subdued. Although growth in agriculture and industrial sector is expected to moderate, the mining and transportation sectors are projected to expand at an accelerated pace compared to last year, while growth in the trade sector is expected to turn positive. Business loan growth is expected to remain robust, and non-mining sector growth is projected to gradually accelerate over the course of 2027.

Uncertainty in the external economic environment remains elevated. The conflict in the Middle East has contributed to higher oil and energy prices, creating inflationary pressures worldwide. Meanwhile, global gold and copper prices have stayed higher than expected, supporting Mongolia’s terms of trade. As a result, foreign exchange reserve adequacy has improved and the exchange rate has remained relatively stable.

Inflation is projected to ease gradually from the second quarter of 2027 and converge toward the upper bound of the target range by the end of next year. Considering the inflation outlook and economic conditions, the MPC decided to maintain the policy rate unchanged at 12.5 percent at this meeting. Nevertheless, the final legislative approval of this year’s budget amendment and next year’s budget proposal remains a critical source of uncertainty, as any expansionary fiscal adjustments could significantly disrupt the inflation outlook.

The MPC will take appropriate policy measures in response to developments in inflation, supply-side factors, and changes in domestic and external economic conditions.

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

MONETARY POLICY COMMITTEE