



MONETARY POLICY STATEMENT

Keeping the policy rate unchanged and adjustments to regulations on pension loans

No: 2025/03

Date: June 13, 2025

The Monetary Policy Committee (MPC) of the Bank of Mongolia held its scheduled meetings on June 12th and 13th, 2025. Considering the current state of the macroeconomy, banking sector, and financial markets, as well as the domestic and global economic outlook and risks, the MPC made the following decisions:

1. Keep the policy rate unchanged at 12 percent;
2. Set the debt-to-income ratio limit at 50 percent for loans secured by pension or benefit income that are newly issued or subsequently restructured, in line with the requirement applicable to other consumer loans;

Annual inflation declined gradually, reaching 8.3 percent nationwide and 9.4 percent in Ulaanbaatar, as of May 2025. This deceleration was primarily driven by the slowdown in price increases for main food items such as meat and flour, as well as imported goods. Although inflation has started to ease earlier than expected, it is still anticipated to remain above the central bank's target this year due to the impact of rising prices for some administered goods and services. Further inflation outlook will depend on the implementation of large-scale government projects and their funding, export revenues and exchange rate outlook, as well as weather conditions and supply-related changes in food prices.

Economic growth fell below expectations, reaching 2.4 percent in the first quarter of 2025. The slowdown was mainly driven by a decline in the key mining production, a sharp deceleration in transportation sector revenues, and contractions in the taxes and trade sectors. However, economic growth is expected to be supported this year by a recovery in the agricultural sector from the impact of harsh winter conditions, increased copper concentrate production, and the commencement of construction of the large-scale projects.

In the external environment, heightened uncertainty driven by geopolitical tensions and trade policies of countries is negatively affecting external demand and commodity prices. The relatively high prices of gold and copper, however, continue to support our terms of trade.

In recent years, loans secured by pension income have increased rapidly, resulting in a high level of debt burden and financial pressure for pension-receiving borrowers. There is a continuing risk that these challenges may intensify further. Therefore, it is necessary to regulate pension-backed loans at a prudent and sustainable level.

The policy decision aligns with the Bank of Mongolia's objective to stabilize inflation at 6 percent within a ± 2 percentage point range in 2026, and to reduce it to 5 percent within a ± 2 percentage point range from 2027 onward, by anchoring inflation expectations, while aiming at supporting macroeconomic and financial sector stability over the medium term.

The Bank of Mongolia's subsequent policy actions will depend on the developments in the external and domestic economic environment, along with the outlook for inflation and economic growth.

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

MONETARY POLICY COMMITTEE