



MONETARY POLICY STATEMENT

Keeping the policy rate unchanged

No: 2023/03

Date: September 15th, 2023

The Monetary Policy Committee of the Bank of Mongolia (MPC) held its scheduled meetings on September 13th and 15th, 2023. With consideration of the current state of the economy and financial markets as well as the outlook and risks to the domestic and foreign economic environment, the MPC decided to keep the policy rate unchanged at 13 percent.

Inflation has declined gradually due to a deceleration in the inflation of imported goods, caused by reduced inflation rates among our trading partners, improved trade turnover, lower transportation costs, and stabilized the exchange rate. Inflation is expected to continue slowing down in the near future. Therefore, due to higher budget expenditures, particularly on wages, pensions, and allowances and intensified economic activity, demand-driven inflation forecast has been revised upward from the previous projection.

Economic growth was stronger than expected in the second quarter of 2023, mainly due to increased activity in the mining and its related sectors, as the coal exports reached historical record-high level during this period. In addition, loosening fiscal policy has led to an upward revision in the economic growth forecast compared to the previous projection.

The recovery of the industrial sector of China, the main trading partner of Mongolia, is expected to be slower, and the outlook for foreign demand and prices of commodities is likely to deteriorate further. Additionally, escalating geopolitical tensions and extreme weather events occurring around the world could also have adverse effects on global economic conditions.

Considering the high levels of both external and internal uncertainty and slowing the pace of inflation to reach the target level, the MPC of the Bank of Mongolia has decided to keep the policy rate unchanged at 13 percent. This decision is consistent with our objective of stabilizing inflation around the target level in the medium term and ensuring macroeconomic stability.

The subsequent policy actions would depend on developments in the external and domestic economy as well as changes in the outlook of inflation and macroeconomic conditions.

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

MONETARY POLICY COMMITTEE