



## MONETARY POLICY STATEMENT

**Keeping the policy rate unchanged, re-setting the width of the policy rate corridor, and excluding certain liabilities of banks newly funded on international markets from the required reserves**

**No: 2023/01**

**Date: March 15<sup>th</sup>, 2023**

The Monetary Policy Committee of the Bank of Mongolia (MPC) held its scheduled meetings on March 14<sup>th</sup> and 15<sup>th</sup>, 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:

1. Keep the policy rate unchanged at 13 percent,
2. Narrowing the policy rate corridor to be set at 1 percentage point above and below the policy rate,
3. Exclude certain liabilities of banks with maturities of 360 days or less that are newly funded on international markets in the form of bonds or loans from the reservable liabilities.

Annual inflation reached 12.2 percent nationwide and 12.1 percent in Ulaanbaatar city as of February 2023. Inflation has been gradually decelerating in recent months consistent with our previous projections. A decline in inflation is mainly attributable to the decrease in transportation costs of imported goods. The inflation forecast has been revised downwards compared to the previous projection mainly reflecting the updated forecast of lower petroleum prices in the domestic market and decreasing influence of the supply-driven factors on inflation. Even though inflation is expected to decelerate further, higher effects of exchange rate pass-through and demand-driven factors remain the main risks for the inflation projection.

Economic activity was stronger than anticipated in the fourth quarter of 2022 owing to the easing of “Zero-Covid” policy in China and higher growth in all economic sectors except energy and trade sectors than our expectation. As easing border restrictions and intensifying activities in the mining sector, the economic growth outlook has been upgraded compared to the previous projections.

The outlook for foreign demand and prices of main export commodities has improved. In addition, major central banks have started to slow their tightening pace as global inflation has been declining gradually. Despite such improvements in the external and domestic economic condition, supply chain disruptions and geopolitical tensions remain the major risks in the external sector.

External risks and uncertainties remain high. As such, the MPC decided to keep the policy rate unchanged, narrow the policy rate corridor and exclude certain liabilities of banks with maturities of 360 days and less from the reservable liabilities. These policy measures are aiming to reduce inflation to its target level at a faster pace and ensure both internal and external economic balances, through increasing domestic currency yield and encouraging banks to raise their foreign currency funding.

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 website.

**MONETARY POLICY COMMITTEE**