



MONETARY POLICY STATEMENT

Keeping the policy rate unchanged and setting the refinancing amount

No: 2021/03

Date: September 16, 2021

The Monetary Policy Committee (MPC) of the Bank of Mongolia held a scheduled meeting on September 16th, 2021. Due to the current state of the economy and financial markets, while considering the future outlook and risks inherent in domestic and foreign environments, the MPC decided to:

1. Keep the policy rate unchanged at 6 percent;
2. Provide up to MNT 100 billion under the Bank of Mongolia's long-term repo financing instrument in the fourth quarter of 2021.

Annual headline inflation reached 8.9 percent nationwide and 9.1 percent in Ulaanbaatar city as of August 2021. Even though the economic recovery pushed inflation to rise at certain extent, inflation is mainly driven by base year effects and transitory factors. As a result of latter, the headline inflation may continue to rise, however, it is expected to stabilize around the central bank's target level in the second half of 2022. Nevertheless, due to the global economic recovery and international supply chain and logistics disruptions, foreign inflation, world food and oil prices may rise more than our expectations and domestic supply-side inflation pressure may increase, leading to the potential risk in headline inflation.

Global economic growth has accelerated, and the prices of exporting goods have remained high, but its positive impact on domestic economy remained less than expected. Although the Government and Central bank's policy measures supported the economy, the growth was lower than our expectation in the previous quarter, largely due to the import delay, past quarantine measures and sluggish growth in the construction, manufacturing and services sectors. The continuing spread of new variants of the Covid-19 virus around the world reducing the effectiveness of vaccinations and increasing caution, are creating more uncertainty in the global and domestic economic environment.

During the times of economic downturn caused by the pandemic, the Central bank's monetary and macro-prudential policy, and financial support measures are contributing to facilitate economic recovery and ensure banking sector stability.

The current monetary policy stance is consistent with the purpose of stabilizing inflation and supporting the economic recovery, but the necessary policy adjustments will be made as the economic recovery stabilizes and inflation exceeds the target level permanently.

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

MONETARY POLICY COMMITTEE