



MONETARY POLICY STATEMENT

Keeping the policy rate unchanged and setting the refinancing amount

No: 2021/02

Date: June 23, 2021

The Monetary Policy Committee (MPC) of the Bank of Mongolia held a scheduled meeting on June 23, 2021. With due consideration to the current state of the economy and financial markets, as well as to 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 250 billion under the Bank of Mongolia's long-term repo financing instrument in the third quarter of 2021.

Annual headline inflation stands at 6.2 percent nationwide and 6.7 percent in Ulaanbaatar city as of May 2021. Whilst the economic recovery is contributing to some extent, the inflation is mainly driven by base effects and temporary supply-related factors. As a result of latter, the headline inflation is expected to temporarily increase, however, it will stabilize around the central bank's target level in 2022.

Global economic activity has intensified, demand for commodities has increased, and thus, our export prices have remained high since the beginning of the year. As the external environment has improved and the most sectors of the economy have shifted to recovery, the economic growth in the first quarter of 2021 is stronger than earlier expected. An upgrade of growth outlook in 2021 is supported by both favorable external environment and the policy measures taken by the government and the central bank aiming at economic recovery. However, recovery remains dissimilar among economic sectors and their outlook is uneven, and the uncertainty has not reduced with respect to the domestic spread of the Covid-19 pandemic.

The step-by-step implementation of monetary and macro-prudential policy measures and the adoption of new financing instruments and relaxed financial regulatory requirements by the central bank directed at mitigating the impact of the Covid-19 pandemic contribute to facilitating economic recovery and ensuring banking sector stability.

The current monetary policy stance is in line with the inflation target of the central bank. The policy adjustments aiming to maintain inflation under its target range shall be taken place inconsistent with the economic recovery and outlook.

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

MONETARY POLICY COMMITTEE