



MONETARY POLICY STATEMENT

Keeping the policy rate unchanged

Number: 2019/02

Effective date: 19 June 2019

The Monetary Policy Committee meeting was held on 19 June 2019, and it was decided to keep the Policy rate unchanged at 11 percent.

Inflation is expected to be around its target level, given the external environment and domestic economic outlook. As of May 2019, annual inflation rate has reached 7.9 percent nationwide. Although inflation is fluctuating due to change in price of gasoline which followed the price of oil at the global market and sharp change in price of meat following recent disruption in domestic supply, the demand-driven core inflation remains stable.

Rapid growth in mining activities, steady expansion of corporate lending and increased investments and budget expenditure have contributed to the economic growth.

The US and China have both increased import tariffs on certain goods, thus the global trade war has deepened in recent months, resulting in heightened risk for the global economic outlook and prospects of commodity prices and uncertainty in the external environment is amplified.

In addition, the upcoming potential deterioration in the terms of trade coincides with the completion of a large mining project and maturing of large external debt. In this regard, it is of utmost priority to focus on macroeconomic policy to sustain the external and internal balance and to accumulate saving and financial buffer at all levels of the country, provinces, local regions, communities, corporates, households and individuals.

In order to weather the potential risks in the external environment with minimal cost and to sustain the macroeconomic stability in the medium to long run, it is essential to promote the fiscal discipline, resilience in the banking sector and independence of the central bank.

The Monetary Policy Committee decided to keep the policy rate unchanged this time, considering the current macroeconomic outlook and its prospects, and uncertainties and risks in the domestic and external environment. The decision is consistent with the Bank of Mongolia's objective to keep inflation rate around the target rate and to ensure macroeconomic and financial stability in the medium term.

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

MONETARY POLICY COMMITTEE