



MONETARY POLICY STATEMENT

Keeping the policy rate unchanged and increasing the reserve requirements

No: 2025/01

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The Monetary Policy Committee (MPC) of the Bank of Mongolia held an unscheduled meeting on January 14th, 2025. Considering the current state of the macroeconomy, banking and financial markets, and the risks regarding the external environments, the MPC decided to:

1. Keep the policy rate at 10 percent;
2. Increase the reserve requirement in both domestic and foreign currencies by 2 percentage points respectively to 13 percent and 18 percent.

Annual inflation reached 9.0 percent nationwide and 9.1 percent in Ulaanbaatar as of December 2024. The inflation exceeding the target level was primarily driven by higher-than-expected increases in electricity, meat, and imported goods prices. Additionally, rising domestic demand and wage growth have accelerated price increases in services, rent, and imported goods. The indirect effects of administered price increases and demand-side inflationary pressures are expected to intensify further due to ongoing fiscal expansion and dividend distributions by Erdenes Tavan Tolgoi, highlighting the need for additional monetary policy tightening.

The geopolitical risks and uncertainties remain elevated, although there has been no significant change in the outlook for domestic and global economic growth. The persisting high level of credit growth in the banking sector has been fueling domestic demand and consumption imports, leading to potential risk accumulation in the financial sector.

The MPC decided to tighten the monetary policy stance by increasing the reserve requirements on domestic and foreign currency liabilities by 2 percentage points each, aiming to safeguard economic and financial stability.

This policy decision aligns with the objectives of stabilizing inflation at the target level and ensuring macroeconomic and financial stability over the medium term. The Bank of Mongolia's subsequent policy actions will depend on the developments in the external and domestic economic environment, alongside the outlooks for inflation and economic growth.

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

MONETARY POLICY COMMITTEE