



MONETARY POLICY STATEMENT

Keeping the policy rate and increasing the reserve requirements

No: 2024/05

Date: December 13, 2024

The Monetary Policy Committee (MPC) of the Bank of Mongolia held its scheduled meetings on December 12th and 13th, 2024. 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 currency by 1 percentage point respectively to 11 percent and 16 percent.

Annual inflation rose to 8.1 percent nationwide in November 2024, up from 7.0 percent in October, driven mainly by a significant increase in electricity prices. An increase in electricity price contributed 1.9 percentage points to November's annual inflation, compared to 0.6 percentage points in October. In addition, the higher-than-expected price increases in services, rent, and imported goods, driven by accelerated domestic demand and rising wages, have further fueled inflationary pressure in recent months. The demand-side pressures from fiscal expansion as well as the indirect effects of the administrated price increases are expected to push inflation higher in the first half of 2025, followed by a gradual decline afterward.

The economy grew by 5.0 percent in the first three quarters of 2024. The slowdown was primarily driven by weakened activities in the construction and manufacturing sectors, alongside lower-than-expected production of copper and gold. As a result, the growth forecast for 2024 has been revised downward. However, economic growth is projected to pick up next year, supported by fiscal expansion, increased production of Oyu Tolgoi, and the easing of adverse effects from the recent Dzud event.

Monetary policy in advanced economies is shifting towards an easing stance this year, positively impacting the global growth outlook. However, external uncertainties remain elevated, particularly due to ongoing geopolitical tensions.

With the inflation rate expected to stabilize within the target range by 2026, the MPC has decided to keep the policy rate at 10 percent in order to maintain stable medium-term growth while avoiding excessive tightening of credit and financial conditions.

To prevent risk accumulation in the financial sector and ensure financial stability, the MPC also decided to raise the reserve requirements in domestic and foreign currency liabilities by 1 percentage point each.

These policy decisions align 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