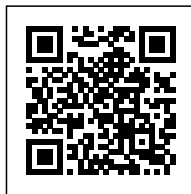


# BOM RAISES INTEREST RATES TO 12 PERCENT

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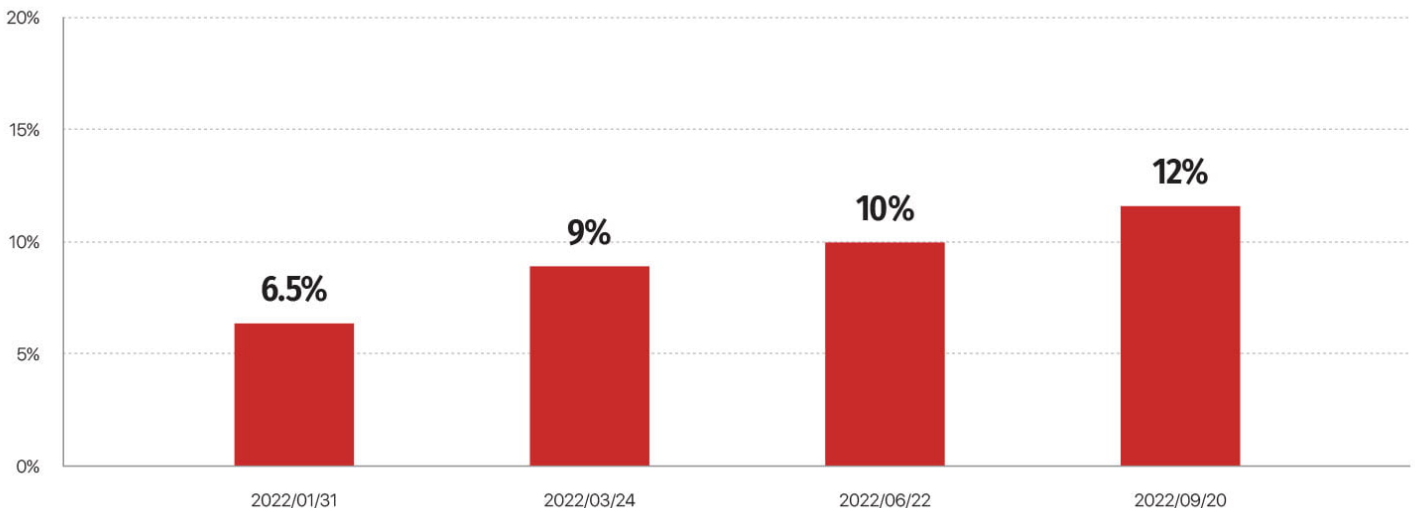


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Taking into account the current economic situation, banking, and financial markets, external and internal risks, the Bank of Mongolia (BoM) increased the benchmark interest rate by 2 percentage points to 12 percent. In addition, the BoM decided to make the policy interest rate corridor +2 and -2. At the second quarter meeting of the Monetary Policy Committee, the policy interest rate was increased by one percentage point to 10%.

## Policy interest rate



Source: Bank of Mongolia

International instability is having a negative impact on the global economic outlook. The BoM emphasized that the economic sanctions caused by the geopolitical crisis have a strong negative impact on the global economy, and the energy crisis in many countries and the price increase that continues to gain strength in the world is forcing central banks to tighten the policy interest rates.

In Mongolia, the annual inflation in August 2022 was 14.4 percent nationwide and 14.8 percent in Ulaanbaatar. 60 percent of the inflation is due to the increase in the prices of imported goods, transportation, and logistics costs. These driving factors are expected to ease in the coming quarters and slow the inflation, according to the BoM.

Despite the improvement at the border, the issues in mining and transportation sectors linger. Growth in non-mining sectors such as trade, services and the agricultural sector accelerated in the second quarter of 2022, surpassing the pre-pandemic level of 2019 in the first half of this year. Household final consumption expenditure has been growing for the last three consecutive quarters, boosting domestic demand. The BoM emphasizes that the activity of the non-mining sector will continue to increase this year and will mainly support economic growth.

“Increasing the policy interest rate will contribute to bringing inflation back to the target level, as well as ensuring internal and external balance of the economy. Whether or not to continue tightening monetary policy in the future will depend on the changes in the external and internal economic environment and how the inflation and economic outlook will change,” noted the BoM. The Monetary Policy Committee of the bank announced that it will continue to implement the necessary policy measures until inflation stabilizes at the target level.