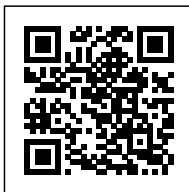


INFLATION SPIKES 14.4 PERCENT IN AUGUST

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Mongolia's inflation rate surged 14.4 percent in August. Despite the high inflation, the pace eased 0.9 percent from the previous month. The key factor in the deceleration was the decline in the prices of food, beverages, and transportation. However, inflation is still high on an annual basis.

Inflation in Mongolia, percent



Source: National Statistics Office

The Bank of Mongolia (BoM) explains that demand-driven inflation pressure is increasing as non-mining sectors and private consumption exceeds pre-pandemic levels. The BoM has set the interest rate at 10 percent, which is expected to show an impact on the market after 2-3 quarters.

Global instability, transportation, and logistics issues are the underlying causes of Mongolia's inflation. For instance, "Ulaanbaatar Railway" JV reported that due to the pandemic situation in Erlian, China, the exchange of containers and trains slowed down, resulting in a cluster of empty containers. 46 percent of the total 410 types of goods and products studied for calculating inflation are imported goods.

Since the beginning of the pandemic, the Chinese border has been mostly closed due to Beijing's zero-covid policy. Meanwhile, the war in Ukraine has driven up gas and energy prices, and this has had a profound impact on the prices of almost all goods in Mongolia.