INFLATION IN MONGOLIA REACHED 12.2% IN MARCH

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In March 2023, the inflation rate reached 12.2 percent in Mongolia. The Bank of Mongolia expects inflation to reach single digits in the first half of this year, but the pace of price growth has been maintained. Prices of consumer goods and services rose by 1.0 percent in March from the previous month. The inflation rate increased mostly due to the rise in prices of food, beverages, and water.

Out of the total 410 types of goods and services included in the basket of consumer goods and services, 221 are imported goods. Compared to the same period of the previous year, the influence of imported goods on inflation decreased to 42.6 percent.

Inflation in Mongolia has shown fluctuations over the years, with periods of both high and low inflation rates. In the mid to late 2000s, Mongolia achieved single-digit inflation rates, with inflation generally remaining below 10% annually. In recent years, Mongolia has also experienced relatively low inflation rates, with inflation averaging around 5-10% annually.

Various factors have influenced inflation trends in Mongolia, including changes in domestic and international economic conditions, fluctuations in commodity prices (such as minerals, fuel, and food), exchange rate movements, fiscal policies, and monetary policies. Additionally, supply-side factors such as changes in production costs, transportation costs, and weather conditions can also impact inflation in Mongolia, particularly in the food and agricultural sectors.

The government of Mongolia and the central bank, the Bank of Mongolia, have implemented various policy measures to manage inflation, such as monetary policy tools (interest rates, reserve requirements, open



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market operations), fiscal policies (government spending, taxation), exchange rate policies, and structural reforms to address supply-side constraints. These policy measures have aimed to maintain price stability, promote economic growth, and mitigate inflationary pressures.

Mongolia's economy is vulnerable to external shocks due to its dependence on commodity exports, and fluctuations in commodity prices can impact inflation dynamics. Additionally, structural constraints such as limited infrastructure, transport, and logistics can affect production costs and supply-side factors, contributing to inflation pressures.