

Monetary and Macroprudential Policy Measures of Mongolia during the COVID-19 Pandemic (Summary)

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From early 2020, the COVID-19 pandemic has had severe and widespread impacts on Mongolia's economy, notably on its banking and financial sector. This paper presents channels of COVID-19 pandemic impact on the economy, major risks to the stability of the economy and financial sector, and policy measures to mitigate risks and policy outcomes. The main channels of pandemic impact on the economy are balance of payments, income, and credit channels. Macroeconomic and financial sector indicators show that the pandemic has posed significant risks including economic contraction, credit crunch, insolvency among borrowers, and other major risks in the banking system. To mitigate the impact of pandemic, the Bank of Mongolia adopted comprehensive policy measures, consisting of (i) regulatory measures targeted toward borrowers, (ii) measures to ease financial conditions, mitigate credit crunch and support the economic growth, and (iii) measures to support the liquidity, profitability and soundness of the banking system. Those measures have helped to boost credit growth, support the solvency of individuals and entities, and promote economic recovery. On the other hand, banking sector profitability, liquidity, and capital adequacy have improved as a result of sequential macroprudential measures during the pandemic.

Keywords : COVID-19 pandemic, Economic impact, Monetary policy, Macroprudential policy, Mongolia

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