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## CCAMTAC - Regional Research Seminar Series

### “Macro-Financial Model of the Bank of Mongolia”

December 13, 2024

#### Introduction:

**Mr. Norbert Funke**, Director, CCAMTAC

#### Moderation:

**Mr. Nurdaulet Abilov**, Economist, CCAMTAC

#### Presenters:

**Ms. Amartuvshin Gantumur**, Senior Economist, Monetary Policy Department, Bank of Mongolia

#### Interventions:

**Mr. Zhandos Ybrayev**, Deputy Director, Financial Stability Department, National Bank of Kazakhstan

The seminar addressed the critical interplay between macroeconomic stability and the financial system, focusing on the Macro-Financial Model developed by the Bank of Mongolia. Understanding this dynamic is essential for policymakers to effectively manage economic shocks and implement appropriate macroprudential policies.

The main presentation was delivered by Ms. Amartuvshin Gantumur, a senior economist at the Bank of Mongolia, who provided an in-depth overview of the Macro-Financial Model. She explained that this model integrates various aspects of monetary and macroprudential policy, offering a comprehensive framework for analyzing the economy's response to different shocks. She elaborated on the model's structure, which includes core components such as the macroeconomic model, bank capital dynamics, and the credit creation process.

Ms. Gantumur highlighted the model's key features, including its non-linear nature and the ability to capture dynamic interactions between the financial and real sectors of the economy. She presented simulation results that illustrated how different types of shocks—demand shocks, supply shocks, and exchange rate shocks—affect the banking sector and overall economic stability. The findings underscored the vulnerabilities in Mongolia's financial system, particularly in light of external commodity price fluctuations.



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After the presentation, the discussion was enriched by Mr. Zhandos Ybrayev, who provided critical insights into the model's applicability. He stressed the need for a more human-centric approach to macroprudential modeling and emphasized the importance of liquidity shortages in macroprudential modeling. He also built discussion around the loan default probability and the factors it should depend on. His comments resonated with the audience, sparking a dialogue about the implications of Mongolia's economic dependency on commodity prices and the challenges posed by dollarization.

Participants engaged actively during the Q&A session, discussing various topics, including the effects of inflation and macroeconomic stability on financial institutions. Many acknowledged Mongolia's unique economic context, characterized by its reliance on the mining sector and the challenges presented by fluctuating global commodity prices.

As the seminar concluded, it became clear that the Macro-Financial Model developed by the Bank of Mongolia is a vital tool for policymakers. It offers the potential to enhance decision-making processes and foster resilience in the face of economic shocks. The discussions highlighted the necessity for ongoing collaboration among Central Asian countries to share experiences and best practices in addressing macroeconomic challenges.

In summary, the seminar served as a crucial platform for knowledge exchange, emphasizing the importance of sophisticated economic modeling in navigating the complexities of Mongolia's financial landscape. The insights gained will undoubtedly inform future policy frameworks aimed at safeguarding the country's economic stability and growth.