



GOVERNMENT OF  
MONGOLIA

MINISTRY OF ECONOMY  
AND DEVELOPEMTNT

# MACROECONOMIC REPORT

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2025Q1

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AND DEVELOPMENT

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2025 Q1

AUGUST 2025

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# EXPORT CONTRACTION 2025 Q1

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## CONTENT

<b>EXECUTIVE SUMMARY</b> .....	<b>6</b>
<b>NEAR-TERM OUTLOOK</b> .....	<b>7</b>
<b>1. REAL SECTOR</b> .....	<b>9</b>
1.1. Aggregate supply .....	10
1.2. Aggregate demand .....	13
1.3. Labor Market and Enterprises .....	15
1.4. Business cycle .....	21
<b>2. FISCAL SECTOR</b> .....	<b>24</b>
2.1. Budget performance .....	25
2.2. Fiscal policy.....	29
2.3. Government debt sustainability.....	30
<b>3. MONETARY SECTOR</b> .....	<b>34</b>
3.1. Inflation .....	35
3.2. Monetary and financial sector .....	39
<b>4. EXTERNAL SECTOR</b> .....	<b>44</b>
4.1. Foreign trade .....	45
4.2. Balance of payments and external debt.....	48
<b>5. WORLD ECONOMY</b> .....	<b>54</b>
5.1. World economy.....	55
5.2. Commodity market developments.....	56
5.3. Indexes updated globally.....	58
<b>Appendix</b> .....	<b>62</b>

## Lists of figure, table, box

Figure 1.1. Real GDP growth .....	12
Figure 1.2 Growth contribution .....	13
Figure 1.3. Labor market .....	15
Figure 1.4. Enterprises .....	18
Figure 1.5.. Consumer Confidence Index, by quarter .....	20
Figure 1.6. Output gap.....	21
Figure 2.1. Budget revenue.....	26
Figure 2.2. Budget expenditures .....	27
Figure 2.3. Fiscal balance, fiscal stance, and automatic stabilizers .....	29
Figure 2.4. Government debt.....	31
Figure 2.5. Government debt Sustainability .....	32
Figure 3.1 Inflation .....	35
Figure 3.2 Taylor's Rule and monetary conditions index .....	37
Figure 3.3 Prices of some items.....	38
Figure 3.4 Money supply and credit indicators.....	39
Figure 3.5 Components of annual growth in total deposits and indicators of deposit interest rates.....	40
Figure 4.1. Exports.....	45
Figure 4.2. Imports .....	47
Figure 4.3. Current and financial account balances, exchange rate.....	48
Figure 4.4. Current account balance and net international investment position .....	50
Figure 4.6. External debt sustainability.....	51
Figure 5.1. <i>World Uncertainty Index</i> .....	55
Figure 5.2. Commodity prices.....	56
Figure 5.3. Index of Economic Freedom.....	59
Table 1. Consumer Confidence Index Components.....	20
Table 2. Score and ranking of Mongolia in the Human Development Index.....	61
Table 3. Selected economic indicators .....	63
Table 4. Real sector .....	64
Table 5 . General government accounts .....	65
Table 6 . General government accounts (in percent of GDP).....	66
Table 7 . Balance of payments.....	67
Table 8 . Balance of payments (in percent of GDP) .....	68
Table 9. Monetary sector .....	69
Box 1. Consumer confidence index.....	20

## Abbreviations

FDI	Foreign direct investment
GDP	Gross domestic product
GHG	Greenhouse gas
MED	Ministry of Economy and Development
MCGA	Mongolian Customs General Administration
NBFI	Non-bank financial institutions
NEER	Nominal effective exchange rate
NSO	National Statistical Office
PMI	Purchasing Managers' Index
ROA	Return on assets

## EXECUTIVE SUMMARY

**The economic growth has decelerated.** The growth slowed down to 2.4 percent, driven primarily by contractions in the mining and transport sectors, alongside declines in trade and construction. In contrast, agricultural output rebounded, while services remained broadly stable. On the demand side, growth was supported by robust private consumption and increase in investment, but was offset by weaker exports and subdued government spending. Elevated inflation dampened real household income growth. Nevertheless, a 62 percent labor force participation rate and rising nominal incomes continued to support private consumption. Overall output remains 0.6% below potential, indicating a modest negative output gap.

**Current account deficit widened as export revenue fell.** Although export volume of key commodities such as coal, copper concentrate, and iron ore remained at same level as previous year, export revenue reduced primarily due to lower coal prices. Despite slower import growth, export reduction led to 1.8 times increase in the current account deficit. However, Mongol bank injected USD 0.7 billion in market, international reserves maintained stable at USD 5.0 billion by the end of reporting period and MNT depreciated by 2 percent against USD since the beginning of the year.

**Budget revenue is underperformed relative to its target, primarily due to a weaker coal export earnings.** Budget revenue amounted to MNT 6.1 trillion in 2025Q1, contracted by MNT 1.2 trillion year-on-year. A 39.9 percent decline in average price of coal export, coupled with a 3.3 percent reduction in export volume, exerted downward pressure on major budget revenues. Meanwhile, total budget expenditure reached MNT 6.5 trillion, expanded by 14.2 percent. This was mainly driven by larger current expenditure, particularly increased public spending on wages and pensions, which were raised in line with inflation.

**Inflation remained above the central bank's target band.** Inflation consistently remained above the central bank's target band, reaching 9.1 percent by the end of the quarter. Although money supply growth slowed, reflecting reduced foreign currency inflows, domestic credit growth remained strong. The central bank raised the policy rate by 2 percentage points to 12 percent.

## NEAR-TERM OUTLOOK

**Economic growth is projected to reach approximately 5.5 percent in 2025.** Recovery in agriculture and manufacturing, alongside stable performance in the services sector, is expected to be main contributor to the growth. Favorable weather condition relative to previous years' are expected to improve livestock survival rate and reduce losses, supporting output of agriculture and manufacturing, thereby contributing positively to overall growth. Furthermore, a rise in copper content within Oyu Tolgoi's concentrate is expected to significantly support mining growth. On the demand side, private consumption and investment are expected to continue contributing to economic

growth. An increase in livestock numbers is projected to enhance capital accumulation, further supporting the economy.

**Inflation is expected to remain above the central bank's target level on average in 2025.** Domestic goods and services prices, along with energy tariff increases, are anticipated to drive inflation. Meat prices are projected to rise above the usual trend due to reduced supply caused by agricultural contractions in recent years. Inflationary pressure from imports persist due to ongoing geopolitical tensions, climate change, and disruptions in transportation logistics.

# CHAPTER I

## REAL SECTOR

- 1.1. Aggregate supply
- 1.2. Aggregate demand
- 1.3. Labor market and Enterprises
- 1.4. Business cycles

## 1. REAL SECTOR

### OVERVIEW

Economic growth slowed to 2.4 percent in 2025Q1. Although livestock industry recovered and service sectors expanded, decline in mining, along with contraction in transportation, construction, and trade activities weakened the growth. From the demand perspective, robust investment and private consumption were the main contributors, whereas lower goods exports and subdued public spending dragged the growth down. Labor force participation remained elevated at about 62 percent, together with rising rural household income relative to the same period of previous year, contributed to stronger private consumption. However, household real income growth moderated to 5.8 percent in 2025Q1, constrained by accelerating inflation. Driven by robust employment and rising investment, potential economic growth reached 5 percent, with the output gap turning negative at 0.6 percent.

## 1.1. Aggregate supply

1. **Economic growth slowed to 2.4%.** Nominal GDP in the first quarter of 2025 increased by 15 percent year-on-year, reaching MNT 19 trillion, while real GDP growth reached 2.4 percent, equivalent to MNT 6.2 trillion in real terms. Economic growth slowed by 5.5 percentage points from 7.9 percent in the same period last year, falling short of expectations. While the recovery of the service sector and agriculture supported economic growth, stagnation in the mining sector and contractions in transportation, trade, construction, and net taxes on products dampened overall growth.

2. **The mining sector growth decelerated to 0.8 percent.** The mining sector grew by 13 percent in the same period last year, but in the first quarter of 2025, growth slowed to 0.8 percent due to decreased production of mining products other than copper concentrate. Copper concentrate production, driven by Oyu Tolgoi mining, increased by 29 percent to 448 thousand tons in the first quarter of 2025. However, coal production declined by 9 percent year-on-year to 20.4 million tons, and iron ore and concentrate production fell by 4 percent year-on-year to 1.4 million tons. Additionally, crude oil production decreased for the fifth consecutive quarter, and gold production dropped for the ninth consecutive quarter, reaching 1.0 million tons and 1.8 tons, respectively.

3. **The non-mining sector growth slowed as well.** The non-mining sector output grew by 2.3 percent in the first quarter of 2025, down from 7.0 percent in the same period last year. The slowdown was primarily driven by the contraction in the transportation sector, with non-mining sector output excluding transportation growing by 4.3 percent.

The service sector expanded by 2.2 percent in the first quarter of 2025. The slowdown in trade sales and contractions in transportation sector output

were the main factors contributing to weaker growth in the service sector overall.

The wholesale and retail trade sector contracted by 5.8 percent in the first quarter of 2025, dragging down overall economic growth by 0.6 percentage points. Nominal sales revenue in the trade sector increased by just 0.4 percent, with high inflation further contributing to the sector contraction. Weaker demand for non-food products, particularly wholesale trade on a fee or contract basis, and reduced household consumption of durable goods negatively impacted total trade sales. Despite an increase in newly issued loans to the trade sector, as well as growth in the number of actively operating enterprises and employment in the first quarter of 2025, the Purchasing Managers' Index (PMI) for domestic trade fell below the threshold. This shift reflects worsening expectations, as indicators for new orders, production, and expected sales moved into contraction territory.

In contrast, the information and communication sector maintained strong growth, expanding by 16.5 percent and contributing 0.6 percentage points to overall growth. Other service sectors' activity also remained stable, recording growth of 7.1 percent in the first quarter of 2025. The PMI for the service sector remained in expansionary territory, indicating continued positive sentiment..

4. **The transportation sector contracted sharply and performed below expectations.** In the first quarter of 2025, the transportation sector contracted by 21.6 percent due to a decrease in road transport revenues, reducing overall economic growth by 1.2 percentage points. Road transport revenues, impacted by reduced earnings from coal transport enterprises, fell to MNT 1.1 trillion, down 32 percent year-on-year, while railway transport revenues reached MNT 373 billion, down 1 percent year-on-year. Total freight transport volume was 1 percent lower than the same period last year. Declines in transportation costs further

contributed to reduced revenue, driving the contraction in the sector. Measures aimed at boosting mineral exports and lowering transportation costs, such as reducing railway infrastructure usage tariffs by up to 50 percent and lowering road transport tariffs, contributed to decreased transportation costs. As a result, the Producer Price Index (PPI) for the transportation sector fell by 0.2 percent year-on-year in March 2025, with the PPI for the land transport sub-sector (road and rail) declining by 1.7 percent.

**5. Growth in the manufacturing sector is gradually recovering but remains below expectations.** The manufacturing sector expanded by 3.7 percent year-on-year, primarily driven by increased production of explosives and explosive chemicals, supported by higher activity in metal ore mining, such as copper concentrate production. This contributed 0.2 percentage points to overall economic growth. Additionally, the production of tobacco, textiles, and non-metallic minerals positively impacted the sector's growth. However, the production of agricultural products, which account for approximately 35 percent of the manufacturing sector—such as meat and flour—continued to limit growth in the sector.

**6. The construction sector contracted.** In the first quarter of 2025, the construction sector contracted by 1.1 percent, limiting overall economic growth by 0.01 percentage points. This decline was primarily due to reduced activity in major construction projects, such as energy facilities like the “Toson” TPP and “Buuruljuut” TPP, as well as railway construction in Umnugovi aimag, which had contributed significantly to growth in the same period last year. However, the intensification of residential construction in the region provided some positive impact on the sector.

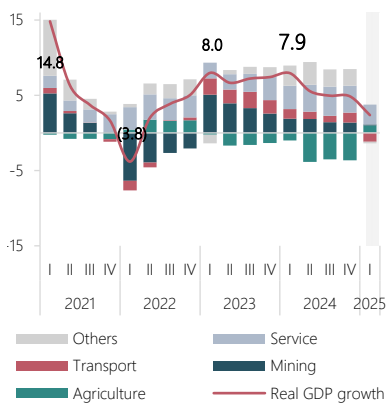
**7. Growth in the energy sector remains stable.** The electricity, gas, steam, and air conditioning supply sector grew by 5.5 percent in the first quarter of 2025. Total energy production reached 2,660 million kWh, including 2,437 million kWh from electricity and 223 million kWh from renewable sources, marking a year-on-year increase of 5.2 percent. Additionally, thermal energy production rose by 5.8 percent year-on-year.

**8. Growth in the agricultural sector surged by 36 percent, primarily due to the recovery of the livestock sector.** The agricultural sector had contracted by 25 percent in the same period last year due to dzud-related difficulties. However, in the first quarter of 2025, favorable spring conditions and normal calving and growth cycles supported recovery. The number of calves reached 4.6 million, reflecting a growth rate of 98.7 percent and an increase of 1.3 million heads compared to the previous year. Illegal slaughter of large livestock decreased to 83.8 thousand heads, down by 6.2 million heads from the previous year. These factors collectively contributed to a 36 percent increase in the sector, supporting economic growth by 1.0 percentage points.

**9. Net taxes on products decreased, limiting economic growth.** In the first quarter of 2025, net taxes on products fell by 2.3 percent, reducing overall growth by 0.4 percentage points. While VAT revenue from domestic goods and services and imported goods increased by 5 percent and 8 percent, respectively, VAT refunds rose 2.1 times, significantly reducing total VAT revenue and negatively impacting net taxes.

Figure 1.1. Real GDP growth

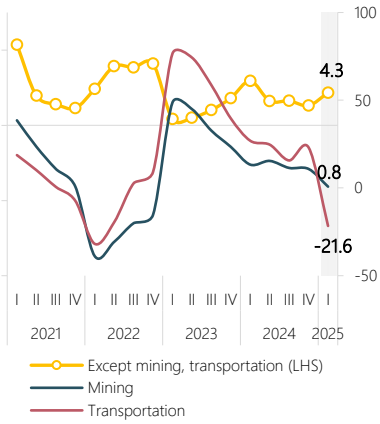
1. Real GDP growth contribution (percentage points)



Source: NSO

Note: Contributions of sectors to the y-o-y cumulative growth of real GDP.

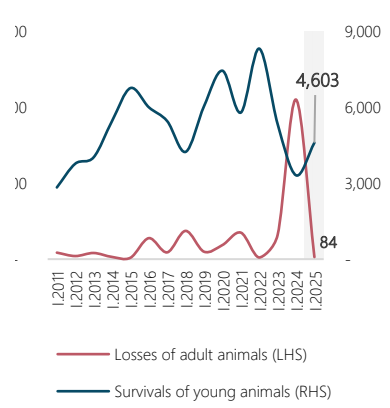
2. The mining sector growth (percent)



Source: NSO

Note: Contributions of key commodities to the y-o-y cumulative growth of mining real GDP.

3. The agricultural sector (thousand heads)



Source: NSO

Note: The number of survivals of young animals and losses of adult animals.

## 1.2. Aggregate demand

10. Both investment and private consumption supported economic growth, while weaker goods exports and subdued public spending curbed it. Gross fixed capital formation expanded by 30.4 percent, contributing by 9.9 percentage points to the growth, driven by notable decline in abnormal livestock losses compared to its high level in 2024Q1. Also, household consumption expanded by 11.9 percent compared to same period last year, contributed 9.6 percentage points to the overall growth and reached 88.4 percent of GDP. Household income was positively affected by sustained wage growth and a 0.7 percent increase in employment, reflecting a rebound in labor intensive livestock industry.

In contrast, the contraction in goods exports reduced net exports, which dragged down growth by 14.9 percentage points. Additionally, a 5.5 percent decline in public spending further slowed growth by 1.2 percentage points.

11. Fixed capital formation growth was supported by a MNT 1.2 trillion increase in cultivated biological resources, largely driven by a significant reduction in livestock abnormal losses. Capital formation is an indicator that reflects changes in fixed assets and inventories within the economy over the reporting period. In 2024Q1, cultivated biological assets declined by MNT 1.1 trillion, primarily as a result of loss of 6.3 million

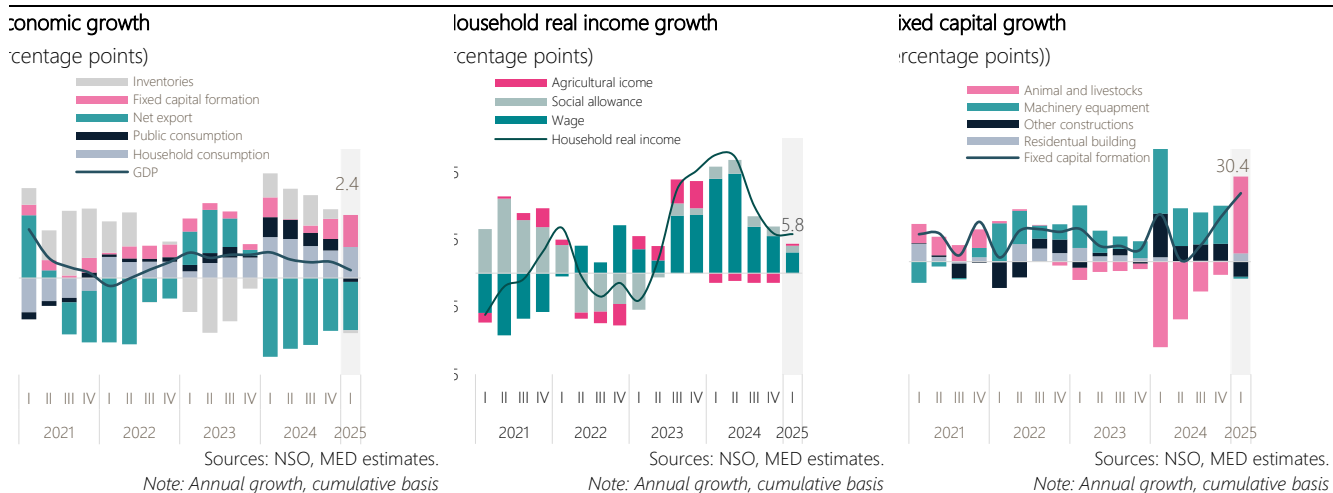
head livestock. In 2025Q1, biological asset stock recovered – driven by base effect, contributed to strong 30.4 percent growth in gross fixed capital. While inventory decreased by 7.8 percent as mining output weakened.

In terms of financial sources, fiscal investment dropped by MNT 251 billion or 29.7 percent, foreign direct investment fell by USD 280 million or 39.7 percent over the year. Conversely, credit issuance rose by MNT 3 trillion or 26.1 percent.

12. Household real income growth has been losing momentum. Household real income – adjusted for inflation, grew by 5.8 percent in 2025Q1, which is 0.1 percentage points lower than growth in previous quarter, 11.8 percentage points lower than level of year earlier. The moderation was mainly driven by high inflation, which remained above Bank of Mongolia’s target. Moreover, the household income base level in 2024Q1 was strong, which further contributed to the slowdown. National average household nominal income reached MNT 2.8 million, rose by MNT 394 thousand compared to same period last year, and by MNT 176 thousand from previous quarter. Wage income has been the primary driver, which contributed 3.1 percentage points to the household real income growth.

The government of Mongolia has been increasing wages of public officials progressively, with focus to

### Figure 12.2 Growth contribution



provide higher wage rises and better incentives for those working in rural areas. In result, average wage in public sector rose by 30 percent in 2023, by 33.3 percent in 2024. Following this trend, the average wage of the private sector also increased by approximately 23 percent in both 2023 and 2024.

**13. Household food spending recorded its highest growth in seven years, increasing by 16.1 percent.** The increase was largely led by expanded spending on pastries, dairy products, alcoholic beverages and tobacco. After the pandemic, people have tended to accelerate their consumption of durable goods such as clothing, furniture, and electronics and their growth rate remained consistently over 20 percent for the past 2 years. However, growth in this category has slowed, rising by 9.9 percent in 2025Q1. Moreover, household consumption on travel and recreation has decreased, while spending on transportation has continued to grow.

**14. Rural household income increased faster than national average.** By 2024, out of overall 997 thousand households, 306 thousand reside in countryside. Average nominal income for households in Ulaanbaatar accounted for MNT 3.3 million, increased by 4.8 percent in real terms.

Meanwhile, households' income in Soum centers reached MNT 2.4 million and increased by 15.9 percent, which is higher than the national average. Also, household income in countryside amounted to MNT 2.2 million and grew by 10.3 percent. This regional income convergence was largely attributed to a 40 percent wage hike in Soum centers, effective from April 1, 2024. Moreover, the prices of primary agricultural goods remained high in 2025Q1 relative to same period of the previous year, further supporting herders' agricultural income by MNT 107 thousand.

**15. A sharp 23.6 percent contraction in goods exports led to a reduction in net exports, which in turn decreased overall growth by 14.9 percentage points.** Net exports refer to the difference between revenue earned from exports and payment made for imports. Growth in goods and services imports slowed, rising by only 2.9 percent in 2025Q1. Meanwhile, goods and services export revenue fell by 23.6 percent, driven by a decline in the export of major mining commodities such as coal, crude oil, and gold. As a result, the trade balance for goods and services, which had recorded a surplus in 2024Q1, deteriorated by MNT 2.2 trillion and had a negative impact on overall growth.

### 1.3. Labor Market and Enterprises

**16. Growth in the agricultural sector supported the increase in total employment.** In the first quarter of 2025, the number of employees increased by 48 thousand from the same period of the previous year, reaching 1 million 380 thousand. Adjusted for seasonal variations<sup>1</sup>, the number of employees rose by 57 thousand compared to the same period last year. This growth was mainly driven by the recovery in the agricultural sector, which accounts for a quarter of total employment, with the number of employees rising by 37 thousand, or 11 percent, compared to the same period of the previous year. Additionally, employment increased by 21 thousand in the manufacturing sector and by 14 thousand in the transportation sector, further contributing to the overall growth. However, the number of employees declined by 23 thousand in the services sector, by 3 thousand in the construction sector, and by 2 thousand in the mining sector, which dampened the growth momentum.

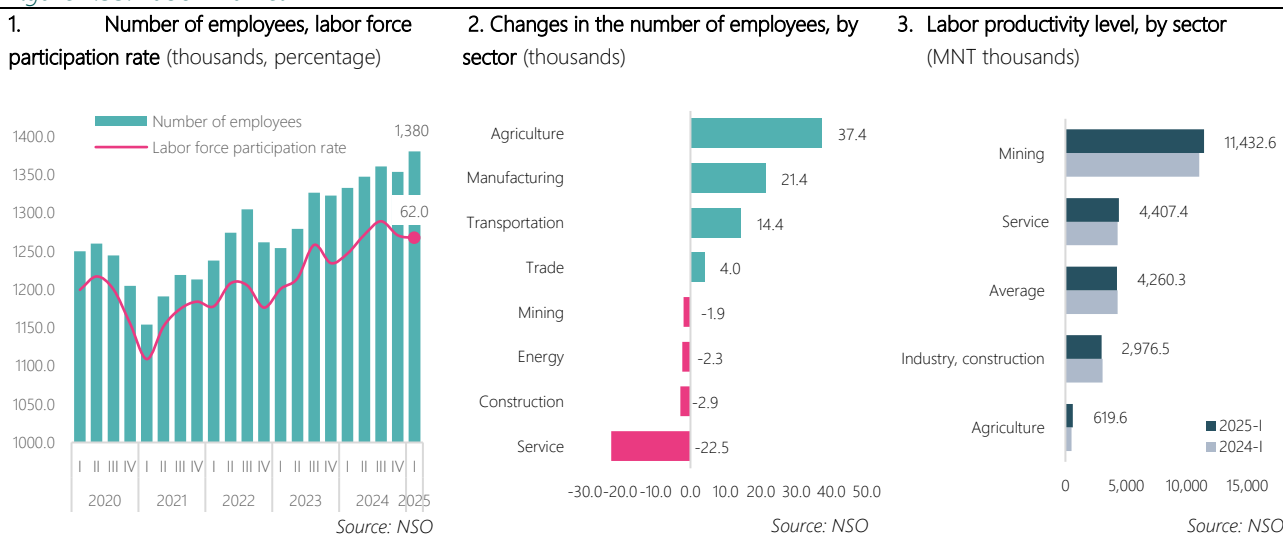
By region, the number of employees in Ulaanbaatar rose by 37 thousand from the same period of the previous year to 641 thousand, while employment in rural areas increased by 11 thousand to 739 thousand. Specifically, employment grew by 11

thousand in the Central region and by 4 thousand in the Western region, whereas it declined by 2 thousand in both the Khangai and Eastern regions.

**17. The labor force participation rate increased.** The labor force increased by 55 thousand from the same period of the previous year, reaching 1 million 459 thousand, and as a result, the labor force participation rate rose by 0.9 percentage points to 62 percent. This is the highest first-quarter labor force participation rate in the last 13 years.

While most of the labor force growth is explained by the increase in the number of employees, the number of unemployed people also increased by 7 thousand from the same period of the previous year. With this increase, the number of unemployed reached 79 thousand, and the unemployment rate rose by 0.3 percentage points to 5.4 percent compared to the same period of the previous year. When analyzing the reasons for the rise in unemployment, the number of people who are pregnant or caring for children increased by 2.2 thousand, retirees by 1.9 thousand, those actively looking for a job but unable to find one by 1.6 thousand, while the number of people engaged in seasonal work decreased by 1.6 thousand.

Figure 1.33. Labor market



<sup>1</sup> Seasonal adjustment is a statistical method used to eliminate recurring seasonal patterns from time series data. These patterns often result from factors such as weather changes, holidays, school

schedules, and agricultural cycles. By removing these consistent fluctuations, seasonal adjustment allows for a clearer view of underlying trends and cyclical movements, making it easier to compare data across different time periods.

**18. The number of potential workers unable to engage in employment has decreased.** Although the number of persons outside the labor force remained unchanged from the same period of the previous year at 893 thousand, the number of individuals who were pregnant, caring for children, studying, intending to study, or living with disabilities increased by 33 thousand. In contrast, the number of individuals who were not able to find a job despite actively searching or who lacked the necessary skills and training decreased by 8 thousand. Additionally, the number of individuals caring for the sick and elderly, herders, retirees, and senior citizens declined by 6 to 7 thousand.

The number of potential labor force, or individuals who were interested in working but unable to do so, decreased by 7 thousand or 19 percent from the same period of the previous year, reaching 29 thousand. In addition, the composite rate of labor underutilization decreased by 0.8 percentage points to 7.4 percent, indicating that labor market activity has increased and labor force participation has improved.

**19. The average wage increased in all sectors except mining.** In the first quarter of 2025, the average wage increased by 338 thousand MNT from the same period of the previous year, reaching 2 million 262 thousand MNT, while the median wage increased by 447 thousand MNT to reach 2 million 245 thousand MNT. The real wage reached 1 million 551 thousand MNT, increasing by 120 thousand MNT from the same period of the previous year.

By sector, the average wage of employees in the electricity and water sector showed the highest growth, increasing by 1 million 709 thousand MNT or 74 percent, reaching 4 million 29 thousand MNT. As a result, this sector became the second highest-paying sector after mining sector. On the other hand, the average wage in the mining sector decreased by 716 thousand MNT, or 13%, compared to the same period of the previous year, reaching 4 million 935 thousand MNT (1.9 times

higher than the national average). This decrease was due to the slowdown of the sector's growth, drop in coal border prices and export volumes. As a result, the wage level in the mining sector, which had been increasing for the past three years, has now decreased.

**20. Labor productivity has decreased.** The level of labor productivity declined by 54.5 thousand MNT or 1.3 percent from the same period of the previous year, reaching 4 million 260 thousand MNT. By sector, productivity in the mining sector increased by 383 thousand MNT or 3.5 percent from the same period of the previous year, reaching 11 million 432 thousand MNT, which is approximately 3 times higher than the national average. Productivity in the agriculture and service sectors increased by 113 thousand MNT and 110 thousand MNT respectively, reaching 619.6 thousand MNT and 4 million 407 thousand MNT. However, productivity in the industry and construction sectors decreased by 92.3 thousand MNT or 3 percent, falling to 2 million 976 thousand MNT. This decline was mainly due to a decrease in productivity in the transportation and manufacturing sectors.

**21. The number of newly established enterprises has increased.** As of the first quarter of 2025, the total number of enterprises registered in the Business Registration Database reached 266.1 thousand, an increase of 25.2 thousand or 10.5 percent from the same period last year. Of this growth, 18.3 thousand were newly established enterprises that have not yet commenced operations, while 7.9 thousand were actively operating enterprises. The increase in both actively operating and newly established enterprises indicates enhanced business activity (Figure 1.4).

**22. The trade and services sectors accounted for the largest share of growth in the number of enterprises.** By sector, the trade and services sectors accounted for the largest share of growth, with 10.2 thousand newly established enterprises and 4.6 thousand actively operating enterprises added.

Notably, the growth in the number of newly established enterprises surpassed the 10-year average growth rate of 11.3 percent for the same quarter by 26.3 percent. In particular, wholesale and retail trade enterprises, particularly those dealing in agricultural raw materials and livestock as well as food, beverages, and tobacco trade, saw significant increases. However, the number of enterprises operating in the trade and services sector increased by 6 percent in the first quarter of 2025, which is less than the ten-year average growth rate of 7.4 percent for that quarter. For the actively operating enterprises, the number of enterprises operating in the membership organizations, hospitals, trade unions, educational centers, business consulting services, sports, and computer programming consulting services has increased.

**23. The number of cooperatives in the agricultural sector has increased due to the impact of the “New Cooperative Movement”.** The Government’s Resolution No. 166 on the “New Cooperative Movement” of 2024 decided to provide preferential investment loans to livestock farmers who are members of cooperatives. In this regard, as of the first quarter of 2025, the number of cooperatives operating in the agricultural sector has increased by 2.6 times. Due to the impact of the growth of cooperatives, the number of agricultural enterprises has increased by 46.3 percent for operating enterprises, compared to the average growth rate of 3.0 percent in the last 10 years, and by 266.5 percent for newly established enterprises, compared to the average growth rate of 11.2 percent in the last 10 years. Notably, livestock breeding and mixed farming operations, as well as in enterprises supporting post-harvest agricultural activities.

The number of actively operating enterprises increased by 30 in mining and 444 in transportation, and the number of newly established enterprises rose by 109 in mining and 926 in transportation. Due to the slowdown in export growth, the growth in the number of enterprises operating in the

mining and transportation sectors did not reach the average growth rate of previous years. Specifically, the number of enterprises operating in the mining sector increased by 2.5 percent, which is 4.5 percent lower than the average growth rate of the last 10 years in the same quarter. Also, the number of enterprises operating in the transportation sector increased by 12.2 percent, which is 6.0 percent lower than the average growth rate of the last 10 years in the same quarter.

**Small enterprises operating in trade and services have increased.** Of the 109.8 thousand actively operating enterprises registered in the Business Registration Database, 86.3 percent, or 94.8 thousand, have 1–9 employees. The number of small enterprises with 1–9 employees increased by 7.3 thousand compared to the same period last year, with 4.5 thousand of these operating in the trade and services sector. /76 percent, or 71.8 thousand, of small enterprises with 1–9 employees are operating in the trade and services sector./

Meanwhile, enterprises with 10–19 employees reached 6.9 thousand, an increase of 597 compared to the same period of the previous year. This growth was influenced by the increase in the number of enterprises operating in agriculture, services, and manufacturing sectors. The number of enterprises with more than 20 employees engaged in trade declined compared to the same period of the previous year, while the number of enterprises operating in the service and transportation sectors increased (Table 1).

**Table 1. Change in the number of enterprises operating by employee count**

Number of employees	Number of enterprises	Percentage change	Note
1-9	94.8	8.3%	The growth was driven by contributions of 2.7 percentage points from the services sector, 2.5 percentage points from trade, and 1.5 percentage points from agriculture.
10-19	6.9	9.5%	Two-thirds of the growth was accounted for by agriculture,

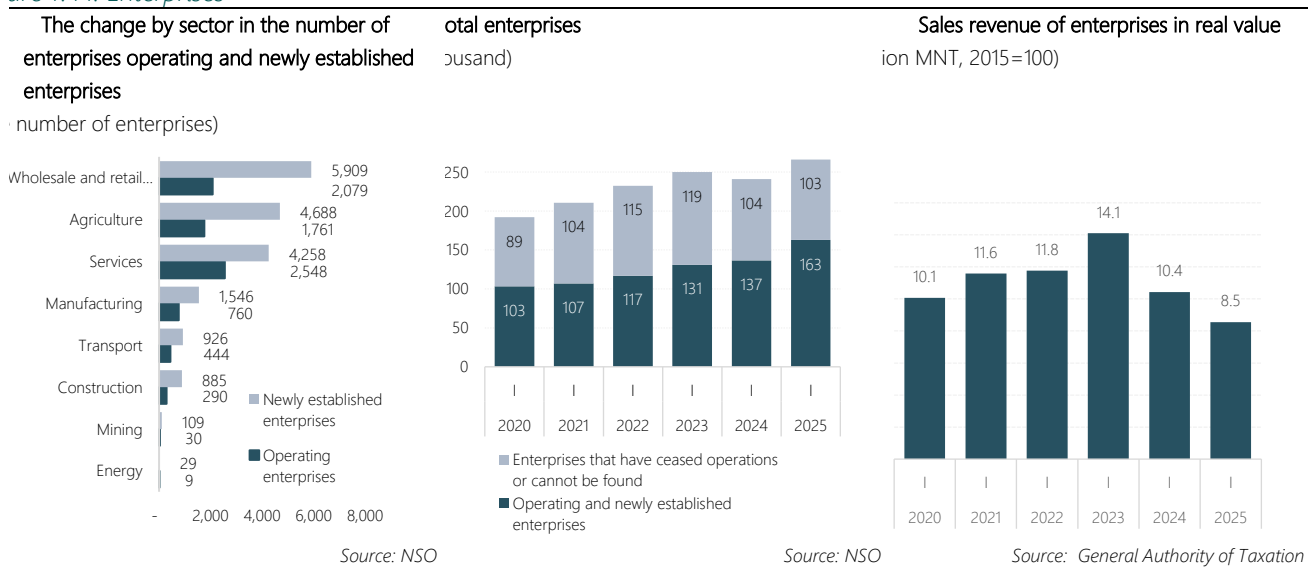
			1.3 percentage points by services, and 1.2 percentage points by the manufacturing sector.
20-49	5.2	0.8%	The number of enterprises increased by 39, of which 70 were in services, 9 in transport, 5 in manufacturing, and 5 in agriculture. However, the trade sector declined by 52 enterprises, and the water and electricity sector declined by 1 enterprise.
50+	2.9	0.4%	The number of enterprises increased by 45, of which 27 were in services, 11 in transport, 4 in construction, and 3 in the mining sector. However, the trade sector declined by 29 enterprises, manufacturing by 3 enterprises, and agriculture by 1 enterprise.
Total	109.8	7.8%	

**24. The decline in enterprise sales revenue was primarily driven by the trade and services sectors.** As of the first quarter of 2025, the real sales revenue of enterprises decreased by 18.1 percent year-on-year, amounting to MNT 8.5 trillion. By sector, real sales revenue decreased across all sectors except mining. Specifically, the decline in real sales revenue

was composed of 7.9 percentage points from services, 3.8 percentage points from trade, 2.0 percentage points from manufacturing, 1.9 percentage points from water and electricity, 1.1 percentage points from agriculture, 1.1 percentage points from transportation, and 0.4 percentage points from the construction sector. In contrast, the revenue of enterprises in the mining sector increased by 2.3 percent compared to the same period of the previous year.

**25. Real sales revenue of enterprises has declined.** As of the first quarter of 2025, the real sales revenue of enterprises decreased by 18.1 percent compared to the same period of the previous year, reaching 8.5 trillion MNT. By sector, the real sales revenue of enterprises decreased in all sectors except mining. Specifically, 7.9 percentage points of the decline came from services, 3.8 percentage points from trade, 2.0 percentage points from manufacturing, 1.9 percentage points from water and electricity, 1.1 percentage points from agriculture, 1.1 percentage points from transport, and 0.4 percentage points from construction. Meanwhile, the sales revenue of enterprises in the mining sector increased by 2.3 percent compared to the same period of the previous year.

Figure 1.44. Enterprises





Box 1. Consumer confidence index

**In the first quarter of 2025, consumers' current assessment and expectation of job availability have improved, and the Consumer Confidence Index increased by 4.6 points year-on-year to 104.4.**

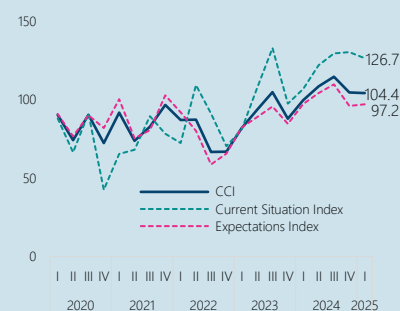
The Consumer Confidence Index (CCI), calculated by the National Research and Consulting Center (NRCC Co. Ltd) and the Japan-Mongolia Center for Human Resource Development, measures consumers' optimism about the general economic condition and household financial situation. The index is calculated based on two sub-indices: the Current Situation Index (business conditions and job availability) and the Expectations Index (business conditions, job availability, and income). The CCI is based on a nationwide survey using a random sampling method, taking values between 0 and 200. The closer the index is to 200, the higher the consumer confidence; the closer it is to 0, the lower the confidence. An index of 100 is considered to indicate a normal economic state.

The improvement in the assessment of job availability was the main contributor to the increase in the CCI to 104.4 in the first quarter of 2025. Table 3 presents the index's component breakdown.

**1. Current Situation Index:** *The evaluation of job availability improved, leading to a 19.6-point increase in the Current Situation Index compared to the same period last year.* This index measures citizens' perceptions of the current economic situation based on business conditions and job availability. In the first quarter of 2025, the Current Situation Index reached 126.7, with the increase largely driven by a 13.2-point rise in the share of respondents rating job availability as “good” compared to the same period of the previous year. Meanwhile, the share of respondents assessing business conditions as “good” declined by 3.1 points.

**2. Expectations Index:** *Consumers' expectations for the next six months has slightly worsened, resulting in a 0.2-point decrease in the Expectations Index compared to the same period last year.* The Expectations index measures citizens' outlook on near-term economic conditions based on business conditions, job availability, and income expectations. In the first quarter of 2025, the Expectations Index declined to 97.2, mainly due to a 2.0-point increase in the share of consumers expecting business conditions to worsen over the next six months compared to the same period of the previous year. However, more consumers had an optimistic outlook on job availability, and the share of those expecting their income to remain stable increased by 5.4 points compared to the same period of the previous year.

Figure 1.5.5 Consumer Confidence Index, by quarter (2018=100)



Source: National Research and Consulting Center (NRCC Co. Ltd)

Note: The CCI and its component indexes are adjusted for seasonal effects and compared with the result of 2018Q4.

Table 1. Consumer Confidence Index Components

	2023.III	2024.III	Change
<b>CURRENT SITUATION INDEX ▲</b>			
<i>Business conditions ▼</i>			
Good	10.9	7.8	-3.1 ▼
Normal	41.7	43.1	1.4 ▲
Bad	46.2	47.3	1.1 ▲
<i>Job availability ▲</i>			
Good	24.9	38.1	13.2 ▲
Normal	35.7	30.5	-5.2 ▼
Bad	37.0	30.0	-7.0 ▼
<b>EXPECTATIONS INDEX ▼</b>			
<i>Business conditions ▼</i>			
Good	15.2	14.5	-0.7 ▼
Normal	61.4	60.2	-1.2 ▼
Bad	19.5	21.5	2.0 ▲
<i>Job availability ▲</i>			
Good	24.3	24.8	0.5 ▲
Normal	54.3	57.0	2.7 ▲
Bad	17.8	15.9	-1.9 ▼
<i>Income expectations ●</i>			
Good	24.7	21.8	-2.9 ▼
Normal	58.3	63.7	5.4 ▲
Bad	14.2	12.6	-1.6 ▼

Source: National Research and Consulting Center (NRCC)

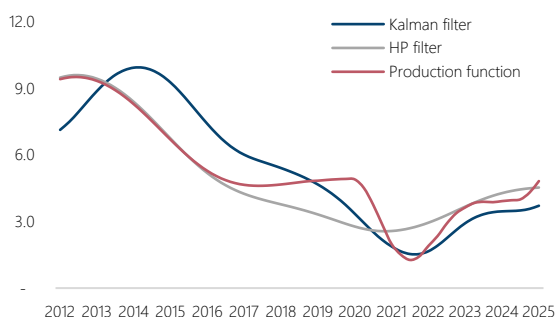
## 1.4. Business cycle

26. Capital accumulation continued to make a positive contribution to potential output growth. Stable climatic conditions reduced abnormal livestock losses, thereby supporting fixed capital accumulation. Largely driven by the expansion of biological assets, gross fixed capital formation increased by 30.4 percent year-on-year in real terms in the first quarter of 2025. Consequently, potential output growth strengthened, reaching approximately 5 percent. Furthermore, resilient labor market conditions remained supportive of potential output growth.

27. Actual output was estimated to be 0.6 percentage points below its potential level, reflecting slower growth in the mining sector and a contraction in transportation services. The moderation in coal and non-copper metallic ore extraction, coupled with declining transportation costs, caused output in the mining and transportation sectors to remain 0.7 percentage points below potential. Meanwhile, driven largely by the recovery in the agricultural sector, output in sectors excluding mining and transportation exceeded potential by 0.1 percentage points.

Figure 1.66. Output gap 7

### 1. Potential GDP growth (percentage)

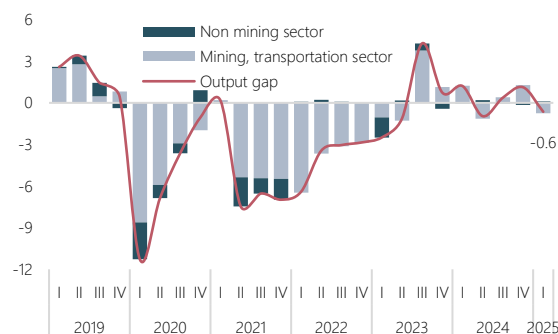


Source: Estimation of the MED

Note: Potential output growth is calculated by 3 different approaches HP filter, Kalman filter and Production function

### 2. Output gap (percent of potential output)

(percent of potential output)



Source: Estimation of the MED

Note: Output gap is calculated by the difference between actual GDP or actual output and potential GDP. The calculation methodology of the output gap is shifted from the Production function approach to Monetary Policy analysis with a Quarterly Projection model.



## CHAPTER II

# FISCAL SECTOR

- 2.1. Budget performance
- 2.2. Fiscal policy
- 2.3. Government debt sustainability

## 2. FISCAL SECTOR

### OVERVIEW

Due to the decline in coal export revenues, budget structural revenue amounted to MNT 6.1 trillion in the first quarter of 2025, representing a decrease of MNT 1.2 trillion, or 16.0 percent, compared to the same period of the previous year. As a result, the budget balance recorded a deficit of MNT 353.0 billion. On the expenditure side, current expenditures increased, driven by higher civil servant salaries and pension payments from the Social Insurance Fund, which were adjusted in line with inflation. Total budget expenditures reached MNT 6.5 trillion, marking a 14.2 percent increase year-on-year. The government's outstanding debt, expressed in nominal terms, reached MNT 34.6 trillion-an increase of MNT 4.8 trillion, or 16.3 percent, compared to the same period last year.

## 2.1. Budget performance

**28. The structural budget balance recorded a deficit.** In the first quarter of 2025, consolidated budget structural revenue totaled MNT 6.1 trillion, marking a decrease of MNT 1.2 trillion or 16.0 percent compared to the same period of the previous year. Meanwhile, consolidated budget expenditures reached MNT 6.5 trillion, reflecting a 14.2 percent increase year-on-year. As a result, the consolidated budget balance recorded a deficit of MNT 70.4 billion, and the structural balance a deficit of MNT 353.0 billion.

**29. The reduction in coal prices has resulted in a decline in budget revenues from the mining sector.** In the first quarter of 2025, total revenue of the consolidated budget amounted to MNT 6.4 trillion, representing a decrease of MNT 1.2 trillion or 16.2 percent compared to the same period of the previous year. The primary factor contributing to this decline was the fall in global coal prices. Specifically, the average border price of exported coal dropped to USD 76.6 in the first quarter of 2025, marking a 37.9 percent decrease year-on-year, which had a significant negative impact on major sources of budget revenue. For instance, corporate income tax revenue declined by MNT 640.0 billion or 31.6 percent, while royalty tax contracted by MNT 852.0 billion or 57.3 percent. These reductions were the main drivers behind the overall 16.2 percent decrease in consolidated budget revenue.

**30. The rise in wages and the expansion in the number of insured people contributed to increased revenues from personal income tax and social insurance.** In the first quarter of 2025, the number of employed individuals increased by 48,000 compared to the same period of the previous year, reaching 1.38 million. This expansion in employment contributed to the growth of labor-based tax revenues. For instance, the number of individuals enrolled in compulsory social insurance rose by 86.4 thousand, while those enrolled

voluntarily increased by 30.8 thousand. As a result, the total number of insured individuals rose to 977.3 thousand, representing a year-on-year increase of 13.6 percent. As a result, social insurance revenues totaled MNT 1.2 trillion, reflecting a 28.8 percent increase compared to the corresponding period of the previous year. Furthermore, sustained growth in nominal wages positively influenced personal income tax revenues, which rose to MNT 635.8 billion, an 18.7 percent year-on-year increase.

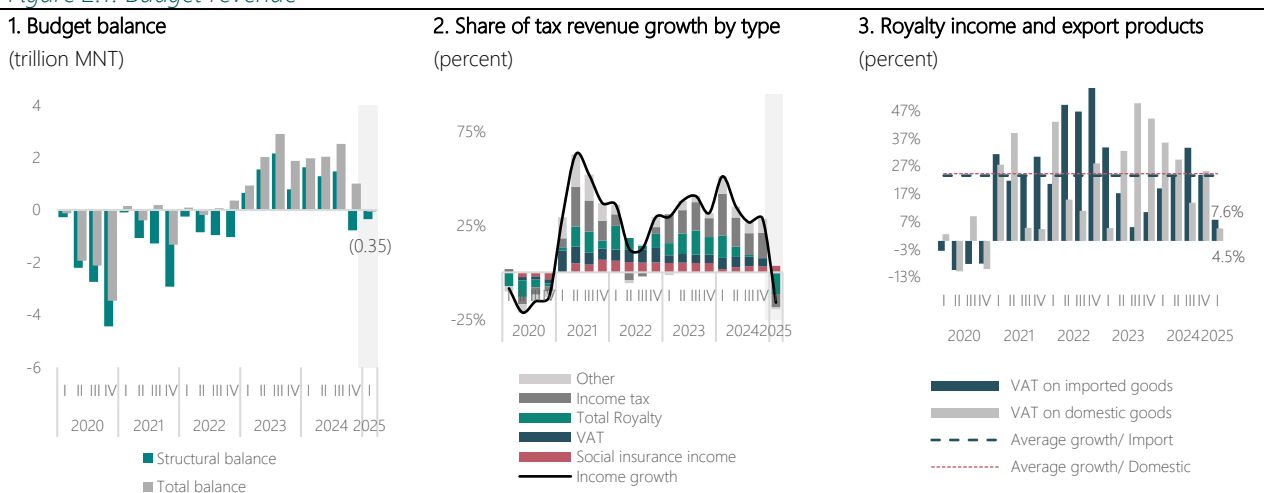
**31. The growth of value-added tax (VAT) revenue decelerated due to a decline in household purchases of durable goods and a contraction in the trade sector.** In the first quarter of 2025, revenue from the value added tax (VAT), a key indicator of domestic demand and market purchasing power, amounted to MNT 1.3 trillion, reflecting a year-on-year decline of 2.8 percent. This downturn was largely attributed to a MNT 123.4 billion increase in VAT refunds compared to the same period of the previous year. Moreover, the growth in VAT revenue from both domestic and imported goods remained significantly below historical trends. Over the past 15 years, VAT revenue from domestic goods has increased by an average of 24.2 percent in the first quarter; however, in 2025, this figure rose by only 4.5 percent. At the same time, the deceleration in the import of industrial inputs contributed to subdued growth in VAT revenue from imported goods and services, which reached 7.6 percent, falling 15.9 percentage points short of the average growth rate observed over the past 15 years.

**32. Growth in Excise Tax Revenue Driven by Increased Import Volumes of Beer, Tobacco, and Passenger Vehicles.** Customs tax revenue reached MNT 394.4 billion, representing a 12.1 percent increase compared to the same period of the previous year. Excise tax revenue totaled MNT 294.7 billion, up by MNT 14.4 billion or 5.2 percent year-on-year. This growth was mainly driven by the

increase in excise tax collections from imported tobacco, which rose by MNT 6.0 billion or a 21.2 percent; imported beer, which grew by MNT 2.3 billion or a 2.6 times and passenger vehicles, which rose by MNT 18.9 billion or a 12.3 percent. However, the growth rate of excise tax revenue in the first quarter of 2025 fell short of its historical trend. While the average first-quarter growth rate since 2000 stands at 20.3 percent, the growth in 2025 was only 5.2 percent. This deviation may be partially explained by policy-related behavioral shifts. Specifically, the capital city governor’s Order No.

A/1348, which sets new criteria for issuing vehicle registration plates in Ulaanbaatar, is scheduled to take effect on June 1, 2025. Anticipation of this regulation led to a rise in passenger vehicle demand, resulting in the import of 78,464 passenger cars in the first quarter of 2025, a 5.7 percent increase compared to the same period of the previous year. This surge in imports positively influenced excise tax revenues from passenger vehicles.

Figure 2.1. Budget revenue



Source: MOF

Source: MOF

Source: NSO

Note: The ratio of total budget revenue and aid to total expenditure and net borrowing is calculated as the quarterly growth rate for the year.

**33. Current budget expenditures expanded due to the increase in salaries of civil servants and pensions in line with the inflation rate.** Current expenditure increased by MNT 1.2 trillion (25.6 percent) from the same period last year, which had a positive impact on the growth of total expenditures. The majority of current expenditures consist of legally regulated and increasing expenses, such as civil servant salaries, pensions, social benefits, child support, and interest payments. Within the framework of the 2024-2028 Action Program of the Government of Mongolia, which aims to “Increase the labor productivity and wages every year,” the basic salaries of civil servants will be increased in line with the inflation rate starting from January 1, 2025. As a result, budget wages and

salaries expenses reached MNT 1.5 trillion, a 39.8 percent increase compared to the same period last year, accounting for the highest growth in current expenditure (9.2 percentage points). Also, according to 27, Section 27.1 of the Pension Law, “The amount of pension benefits shall be increased annually from January 1 based on the previous year’s average annual inflation rate,” as of January 1, 2025, the pension of a pensioner was increased by 6 percent, which expenditures for social insurance pensions and benefits rising by MNT 326.4 billion compared to the same period last year. As a result, pensions and benefits expense provided by the Social Insurance Fund accounted for 6.9 percentage points of the increase in current expenditure.

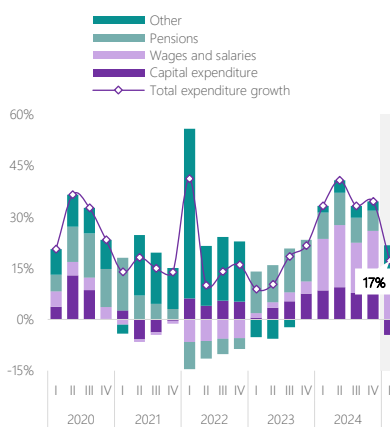
**34. The Government interest payments are around the same level as during the corresponding period last year.** Total interest payments reached MNT 408.1 billion in the first quarter of 2025, an increase of MNT 6.2 billion from the same period last year. Specifically, MNT 407.1 billion was paid for interest payments on foreign loans, and MNT 1.0 billion was paid for domestic loans. In the first quarter of 2021, interest payments decreased by 28.6 percent compared to the same period last year, but increased by 96.1 percent in the first quarter of 2023 and 20.8 percent in the first quarter of 2024 due to the increase in external debt. Although the government's interest expense decreased compared to the same period last year, accounting for 7.1 percent of the budget and 8.6 percent of current expenditures in the first quarter of 2024, and 6.3 percent of the budget and 6.9 percent of current expenditures in the first quarter of 2025. Despite this decline, it remains crucial to implement a fiscal policy that limits the growth of external debt to reduce the overall debt burden on the budget and enhance long-term fiscal sustainability.

**35. Energy sector subsidies are decreasing, while public transport subsidies are increasing.** As of the first quarter of 2025, a total of MNT 243.4 billion in subsidies were provided from the

consolidated budget, an increase of 82.0 percent compared to the same period last year. This growth was mainly driven by the amount of subsidies provided to the private sector, which reached MNT 224.6 billion, an increase of 2.5 times compared to the same period last year. Specifically, the amount of subsidies provided for loan interest and losses of public transport organizations accounted for 42.7 percent of the total subsidies, an increase of 20.3 percentage points compared to the same period last year. Subsidies for public transport deficits amounted to MNT 89.7 billion, 3.1 times increased from the same period last year, and loan interest subsidies amounted to MNT 14.2 billion, 12 times an increase. The new regulation, which sets the fare for public transport at MNT 1,000 per day and allows four unlimited trips per day, has been implemented since January 2025, but budget subsidies for public transport deficits continue to grow. Therefore, there is a need to improve the real cost research, policy, planning, and management of the public transport sector. No subsidies have been provided from the budget for energy sector losses as of the first quarter of 2025. The amount of subsidies provided for energy plant losses has decreased due to the introduction of a new three-hour different tariff on November 16, 2024, which increased the electricity tariff by 30 percent.

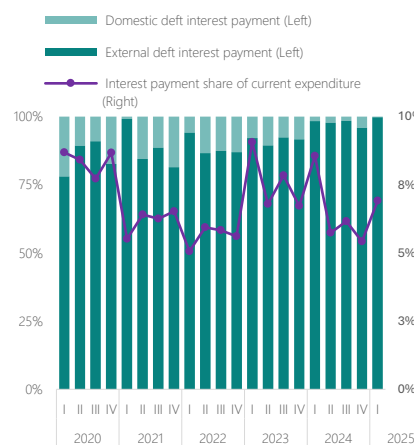
Figure 2.2. Budget expenditures

1. Budget expenditure growth (percentage point)



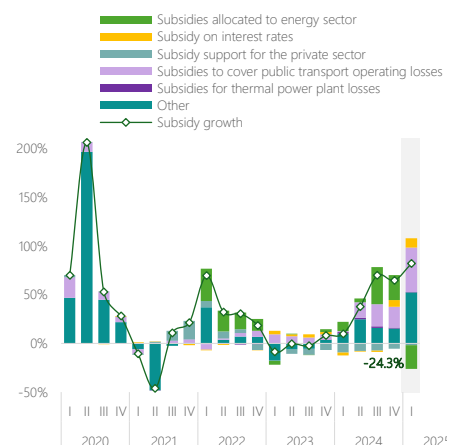
Source: Estimation of MED, MOF  
Note: The growth rate of the consolidated budget expenditures was determined by the quarterly increase.

2. Interest payments (percent)



Source: Estimation of MED, MOF  
Note: Interest payments' share of current expenses was calculated quarterly.

3. Subsidy growth (percentage point)

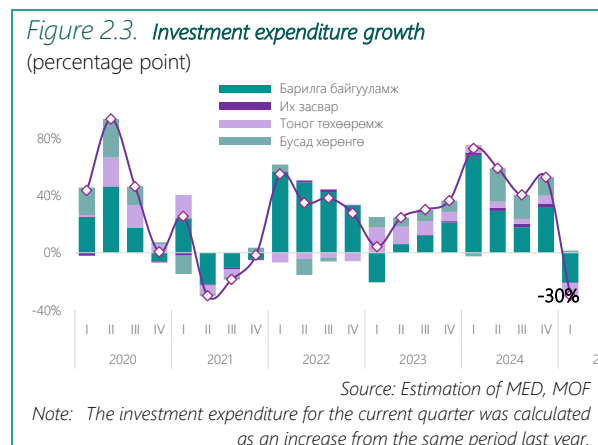


Source: Estimation of MED, MOF  
Notes: The distribution of subsidies provided by the consolidated budget to state-owned and private

### 36. Construction and equipment performance has declined year-on-year.

The consolidated budget investment reached MNT 592.4 billion in the first quarter of 2025, a decrease of 29.7 percent from the same period last year, while total investment performance was 7.8 percent. By economic category, 76.8 percent of total investment expenditure was spent on buildings, 12.4 percent on other assets, 8.6 percent on equipment, and 2.1 percent on repairs. Construction, repairs, and equipment expenditures decreased by 27.8 percent, 18.9 percent, and 62.3 percent, respectively, compared to the same period last year, while other capital expenditures increased by 20.3 percent. In 2025, 623 projects and measures with a budgeted cost of MNT 9.4 trillion are planned to be implemented with funding of

MNT 3.2 trillion, and the implementation of this funding in the first quarter of 2025 is 5.0 percent. MNT 427.5 billion (72.2 percent) of the consolidated budget capital expenditure was financed from local



budgets (including government bonds and foreign loans), a 3 times increase from the same period last year.

## 2.2. Fiscal policy

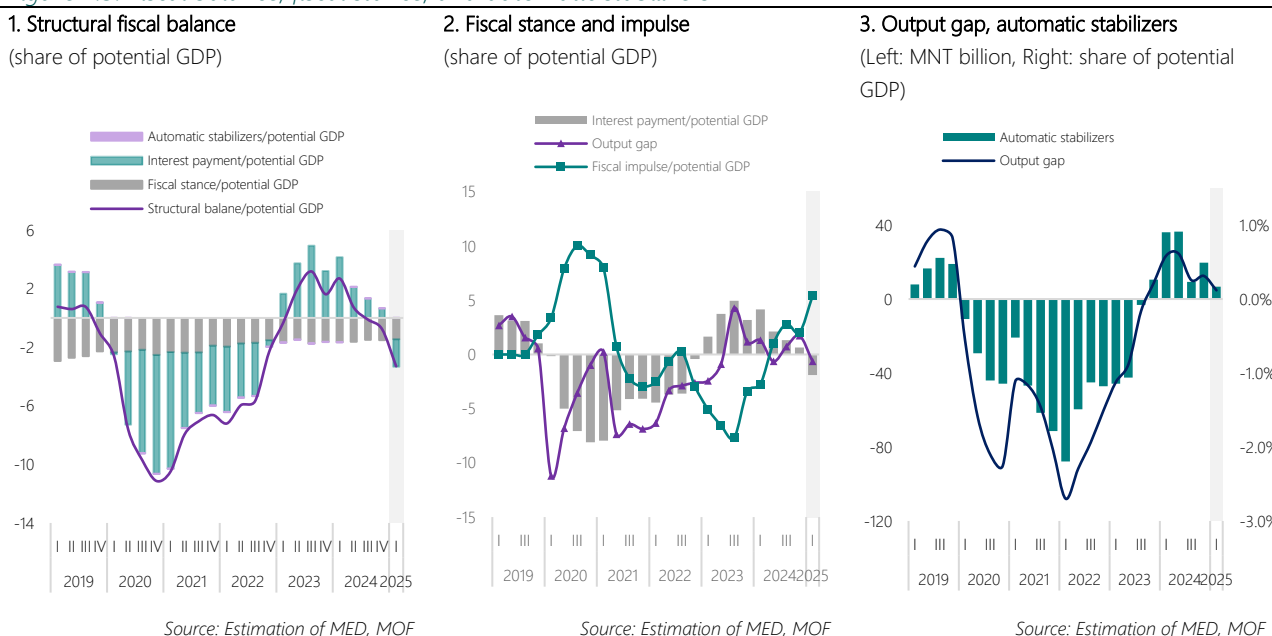
**37. A countercyclical fiscal expansionary policy is being implemented.** In order to assess the annual outlook and trends of fiscal policy, the seasonally adjusted results of the above indicators are calculated as the average of the last four quarters. The fiscal deficit was 3.3 percent of potential GDP, with automatic stabilizers having a positive impact of 0.1 percentage points, while the fiscal stance had a negative impact of 1.9 percentage points, and interest cost had a negative impact of 1.4 percentage points, putting pressure on the budget. The fact that the growth in total expenditure is higher than the average growth in balanced revenue over the last four quarters, after seasonally adjusting, indicates the implementation of a countercyclical fiscal expansionary policy, which is the main cause of the budget deficit.

**38. The weakening of economic activity has weakened the impact of automatic stabilizers on**

**the budget.** The automatic stabilizer had a positive effect on the structural balance, driven by an increase in real income and improved domestic demand. However, in the first quarter of 2025, the average four-quarter automatic stabilizer effect, which is due to the contraction in GDP and is independent of fiscal policy, decreased by 0.1 percentage points or MNT 6.7 billion compared to the first quarter of 2024.

**39. The positive fiscal impulse indicates that fiscal policy is moving in a more expansionary direction compared to the last year.** The fiscal impulse, calculated as an average of the last four quarters, adjusted for seasonal effects, is equal to 5.4 percent of potential GDP or MNT 1.1 trillion in the first quarter of 2025, indicating that the pace of fiscal expansion has increased to this extent.

Figure 2.3. Fiscal balance, fiscal stance, and automatic stabilizers



## 2.3. Government debt sustainability

40. **Government Debt Expanded for the four consecutive quarters.** The government debt has increased for four consecutive quarters since the first quarter of 2024. As of the first quarter of 2025, government debt reached MNT 34.6 trillion, reflecting a year-on-year increase of MNT 4.8 trillion, or 16.3 percent. The government debt to GDP ratio reached 37.3 percent in the first quarter of 2025, reflecting a 0.1 percentage point increase compared to the same period of the previous year. In the first quarter of 2025, the level of government debt was equivalent to 37.3 percent of the projected GDP. By comparison, this indicator reached 44.7 percent at the end of 2023 and declined to 41.8 percent by the end of 2024.

41. **The increase in total government debt was primarily driven by newly issued bonds by the Capital City.** In the first quarter of 2024, government debt decreased by 10.9 percent year-on-year, mainly due to a reduction in principal repayments. This decline was largely driven by a 5.7 percentage point decrease in foreign securities debt and a 3.7 percentage point reduction in government-guaranteed and build-transfer concession debt repayments. However, the government debt increased by 16.3 percent compared to the same period of the previous year. The main contributors to this increase were local government borrowings, which rose by MNT 2.6 trillion equivalent to (8.8 percentage points), and external loans, which increased by MNT 1.8 trillion (6.2 percentage points). Following the amendments to the Debt Management Law on January 17, 2024, the Capital City was authorized to issue external securities to implement projects included in its development policy and planning. As a result, the Capital City issued short-term bonds (1–5 years) totaling MNT 2.6 trillion in 2024, equivalent to 7.7 percent of total government debt. These bond proceeds are planned to finance projects such as the “Selbe Sub-Center-Based Ger Housing Project,” “Buuruljuut Thermal Power Plant,” “Battery Energy Storage

Station,” “Repair and Modernization of Highways and Road Facilities,” and the “Tuul-1 Sewage Collector and Flood Facilities.”

Table 5. Information on Securities Issued by the Capital City Governor's Office

Purpose	Issue Date	Maturity Date	Nominal amount
Road Repair and Maintenance	2024.06.25	2025.06.25	106.2
Road Repair and Maintenance	2024.06.25	2026.06.25	106.8
Construction of Buuruljuut TPP	2024.06.25	2027.06.25	321.9
Construction of Battery Storage Power Station	2024.12.26	2029.12.26	298.4
Ger Area Redevelopment in Selbe Subcenter	2024.11.29	2027.08.29	1,725.10
<b>Total</b>			<b>2,558.40</b>

Source: Strategic Implementation Report on Government Debt Management for 2023–2025

**42. Government Debt Service Payments Have Stabilized Following the Pandemic.** Government interest payments on debt peaked at a historical high of 4.1 percent of GDP in 2016–2017 but stabilized following the COVID-19 pandemic, reaching 1.5 percent of GDP by the end of 2024. While debt service payments as a share of GDP have generally been declining in developing countries since 2000, pandemic-related shocks caused a temporary increase, with the average ratio

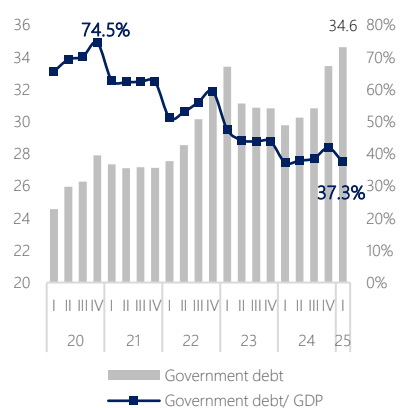
medium term, with principal payments projected at USD 978 million in 2026, USD 918.5 million in 2027, and USD 1.0 billion in 2028.

**44. Medium-term government debt outlook is highly sensitive to the primary balance and real GDP performance.** The medium-term outlook for government debt is assessed through debt sustainability analysis, which evaluates its sensitivity to key macroeconomic indicators. Based on the

Figure 2.4. Government debt

1. Government debt

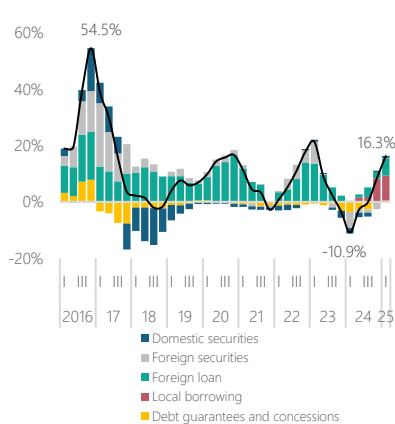
(left axis: MNT trillion, right axis: percent)



Source: MOF

2. Government debt composition, annual growth

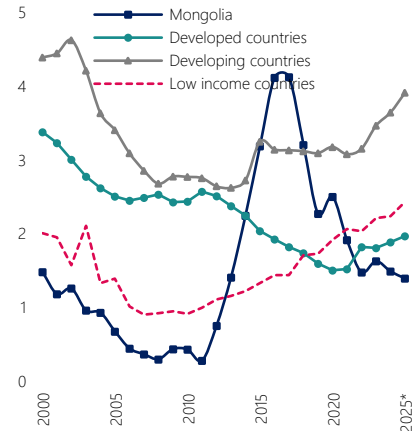
(percent)



Source: Estimation of MED, MOF

3. Dynamics of debt service payments

(GDP percent)



Source: IMF

Note: \*IMF projection

\*\* Expected 2025 interest payments as a percentage of GDP.

rising to 1.9 percent in 2024. During the same period, this indicator averaged 2.2 percent among low- and middle-income countries and was highest among developed countries, reaching 3.7 percent. Moving forward, it is critical that debt service payments are managed prudently to ensure that financing is channeled toward economically productive investments.

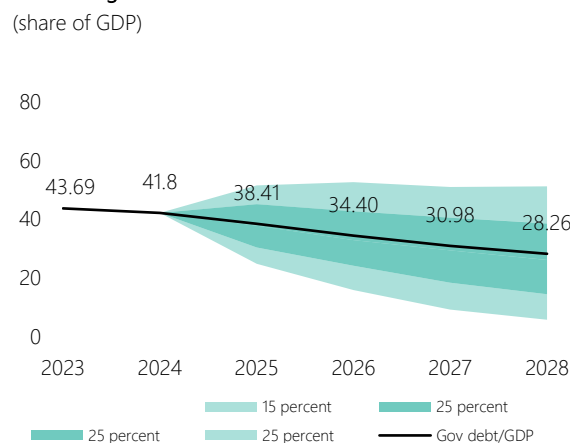
**43. External debt risk remains predominant in total government debt.** As of the first quarter of 2025, external debt accounts for 95.9 percent of total government debt, rendering the government's debt portfolio highly sensitive to exchange rate shocks and other external conditions. Given the elevated level of external debt, interest expenses exert the greatest influence on the fiscal deficit. Furthermore, significant external debt repayments are anticipated over the

baseline scenario for debt dynamics, assuming GDP growth at 6 percent during 2025–2027, the GDP deflator and exchange rate depreciation remaining at their 10-year historical averages, the primary balance staying near projected levels, and other macroeconomic indicators stabilizing at 2024 levels, the government debt-to-GDP ratio is expected to reach 38.1 percent in 2025. When applying a one standard deviation shock to the major indicators in 2025 and 2026, the government debt could rise by 6.4 to 9.9 percentage points above the baseline level by 2027, with a probability of 25 percent. This indicates that government debt is highly sensitive to macroeconomic uncertainties and external shocks.

45. Primary balance surpluses are essential for ensuring the sustainability of government debt. A debt dynamics analysis was conducted to evaluate the key factors influencing public debt. In 2020, the nominal government debt-to-GDP ratio increased by 10.8 percentage points, of which the primary deficit accounted for 6.7 percentage points. In 2022, nominal debt decreased by 2.4 percentage points, with real GDP growth contributing a positive effect of 2.1 percentage points, while exchange rate depreciation exerted a negative effect of 9.3 percentage points. Going forward, the sustainability of government debt will largely depend on real GDP growth and the management of the primary balance. These findings highlight the importance of continuing macroeconomic policy measures aimed at maintaining overall economic stability.

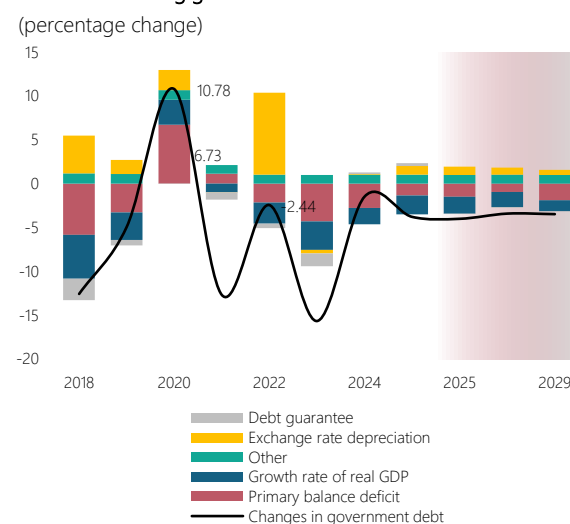
Figure 2.5. Government debt Sustainability

1. Impacts of nominal external interest rate and exchange rate shocks on government debt (share of GDP)



Source: Estimation of MED

2. Factors affecting government debt (percentage change)



Source: Estimation of MED

## CHAPTER III

# MONETARY SECTOR

3.1. Inflation and monetary policy

3.2. Financial sector

## 3. MONETARY SECTOR

### OVERVIEW

Inflation reached 9.1 percent in the first quarter of 2025, remaining above the central bank's target level. As domestic economic activity persisted, demand-driven inflation increased alongside intensified supply-side price pressures. The central bank raised the policy rate by 2 percentage points to 12 percent. Credit growth in commercial banks remained high, exerting a significant influence on the growth of money supply. Furthermore, the quality of loans and profitability in the banking sector remained stable.

### 3.1. Inflation

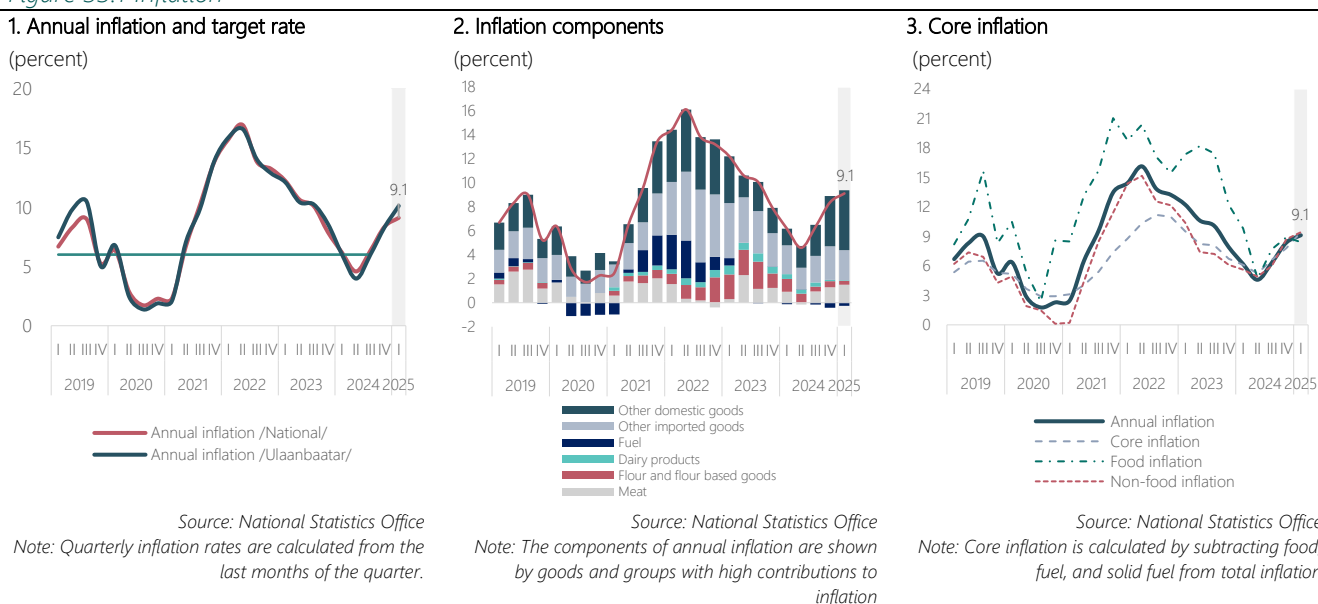
**46. In the first quarter of 2025, inflation remained above the central bank’s target level.** In March 2025, the inflation rate reached 9.1 percent, increasing by 2.9<sup>2</sup> percentage points compared to the same period of the previous year. Of this, 2.3 percentage points were contributed by food, 2.1 percentage points by housing, water, electricity, gas, and other fuels, 1.1 percentage points by clothing, cloth, and footwear, and 1.0 percentage point by education services. The acceleration of inflation compared to the previous year was mainly driven by increases in household electricity bills, housing rents, and prices of cars and bus tickets.

**47. Inflation of both imported and domestic goods and services showed an upward trend.** In March 2025, inflation for imported goods reached 5.1 percent, increasing by 1.2 percentage points compared to the same period of the previous year and accounting for 27 percent of the annual inflation. More than 91 percent of the inflation of imported goods was explained by the price increase of non-food items, particularly clothing, textiles, footwear, and automobiles. Inflation for

points year-on-year and contributing 73 percent to the annual inflation. The rising prices of food and services primarily drove the increase in domestic inflation. Specifically, service prices rose by 16.6 percent compared to the same period of last year, accelerating by 10.2 percentage points and contributing 4.0 percentage points to the annual inflation. The acceleration in service price inflation was largely driven by increases in household electricity bills, housing rents, and food service prices.

**48. Inflation driven by both demand and supply-side intensified.** Demand-driven (core) inflation reached 9.4 percent in the first quarter of 2025, accelerating by 3.5 percentage points compared to the same period last year. This increase was influenced by sustained domestic economic activity and indirect effects stemming from the adjustment of electricity tariffs. Demand-driven inflation contributed the largest share to the annual inflation, accounting for 64 percent. Supply-side inflation stood at 8.6 percent at the end of the first quarter of 2025, rising by 1.9 percentage points year-on-

Figure 33.1 Inflation



domestic goods and services reached 12.8 percent in March 2025, accelerating by 4.4 percentage

year. The acceleration of supply-side inflation was mainly attributed to increased electricity tariffs for

<sup>2</sup> Starting from February 2025, the National Statistics Office began calculating inflation using a revised base year of 2023, replacing the previous 2020 base year for the consumer

goods and services basket. Based on the updated 2023 base, the inflation rate stood at 6.2 percent in March 2024.

households and a rise in meat prices due to abnormal livestock losses.

**49. Inflation for both food and non-food goods and services increased compared to the previous quarter.** As of the first quarter of 2025, food inflation stood at 8.4 percent, marking a decrease of 1.4 percentage points compared to the same period of the previous year. Food inflation, which contributed 2.3 percentage points to the annual inflation, eased primarily due to a slowdown in price increases for bread, flour, rice, milk, dairy products, and eggs. However, prices for meat and meat products rose by 17.5 percent year-on-year, contributing an additional 1.5 percentage points to inflation. Meanwhile, non-food inflation reached 9.4 percent, increasing by 4.5 percentage points compared to the same period of the previous year. The acceleration in non-food inflation was mainly driven by a 48.5 percent increase in housing rental prices, a 65 percent rise in household electricity bills, a 10.9 percent increase in car prices, and an 8.5 percent increase in the prices of clothing, cloth, and footwear.

**50. World container shipping price declined compared to the same period last year, while the food price index increased.** Following a sharp rise in early 2024 due to disruptions in the Suez Canal caused by attacks in the Red Sea, global container freight rates began to decrease starting in August 2024 gradually. By the end of the first quarter of 2025, the world shipping cost for a 40-foot

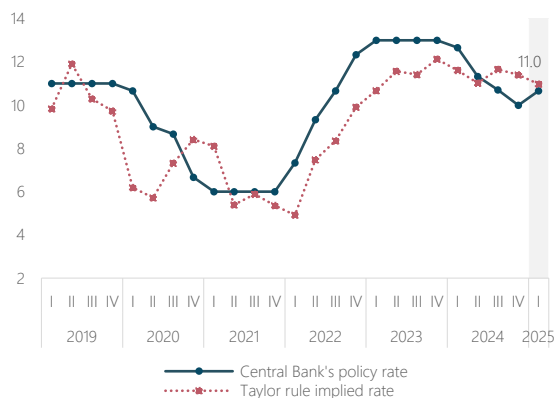
container stood at USD 2,168, representing a 26 percent decline from the same period last year, but still 57.2 percent higher than pre-pandemic levels. The food price index reached 127.1 by the end of the first quarter of 2025, up 6.9 percent year-on-year. On the global market, prices for meat and vegetable oils increased, while prices for cereals and sugar declined, and dairy prices remained stable. As of March 2025, inflation decreased in China, Japan, Kyrgyzstan, Turkey, Sri Lanka, the United States, the United Kingdom, and the Eurozone, while inflation increased in Georgia, Kazakhstan, South Korea, and Russia.

**51. The policy rate is at an optimal level.** In March 2025, the central bank raised the policy rate by 2 percentage points to 12 percent, and the average policy rate for the first quarter of 2025 was 10.7 percent. As of the first quarter of 2025, the rate calculated using the Taylor rule, which represents the optimal level of the policy rate, was 11.0 percent, which is consistent with the average policy rate. In addition, in the first quarter of 2025, the easing effect of the real interest rate gap on monetary conditions increased compared to the previous quarter, while the tightening effect of the real exchange rate gap also increased. As credit growth remains high and risks such as geopolitical uncertainty and tariff policy continue to pose upward pressure on inflation, it is necessary to maintain the policy rate at an appropriate level.

Figure 33.2 Taylor's Rule and monetary conditions index

1. Policy rate and Taylor's rule

(percent)

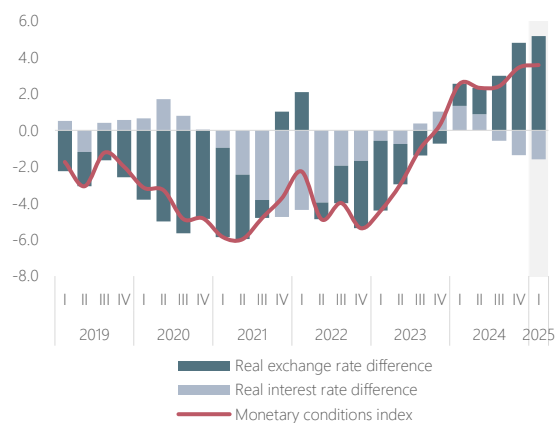


Source: MED estimation

Note: The implied rate calculated by Taylor's rule represents the appropriate value of the central bank's policy rate. It is an equation containing variables such as the policy rate set in the previous quarter, inflation, expected inflation, nominal interest rate, and a fixed coefficient. In connection with the renewal of the MED's methodology for calculating output gap, the Taylor Rule implied rate calculated in previous quarters has been updated.

2. Monetary conditions index

(percent)

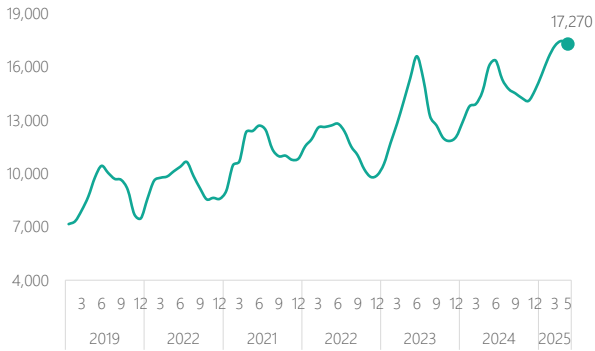


Source: MED estimation

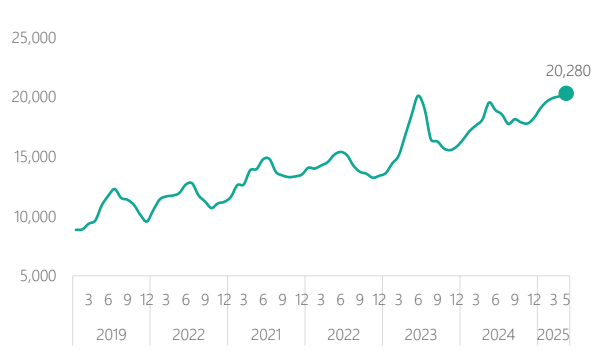
Note: The Monetary Conditions Index is an indicator that measures the impact of monetary policy in an economy. The Monetary Conditions Index was calculated using the GAP methodology of the Monetary Policy Analysis. It is calculated using real interest rates and exchange rates. A positive monetary condition index indicates monetary policy tightening, while a negative index indicates loosening.

Figure 33.3 Prices of some items

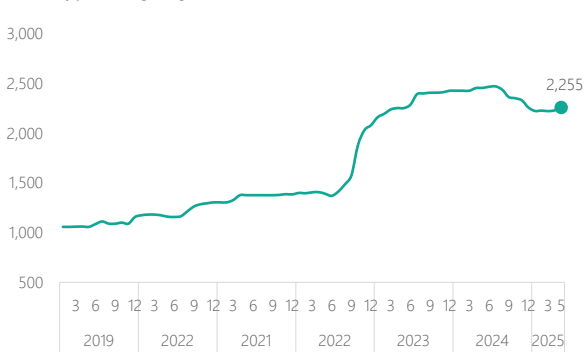
1. Mutton (kg/tugrik)



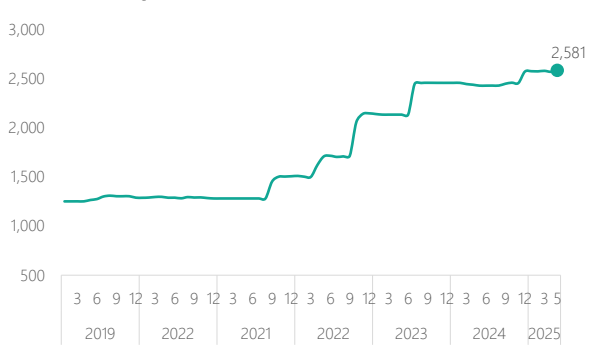
2. Beef (kg/tugrik)



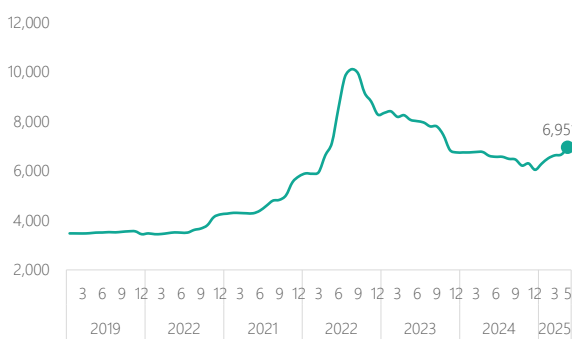
3. Flour, type 1 (kg/tugrik)



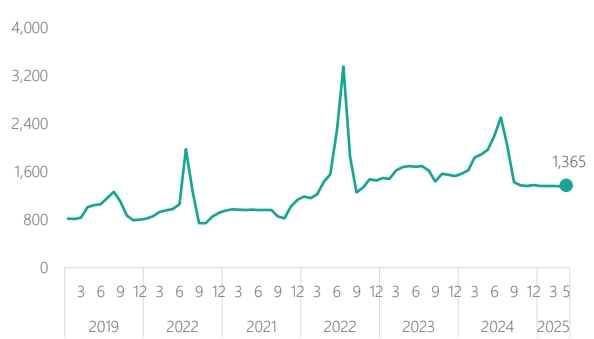
4. Bread, Atar (tugrik)



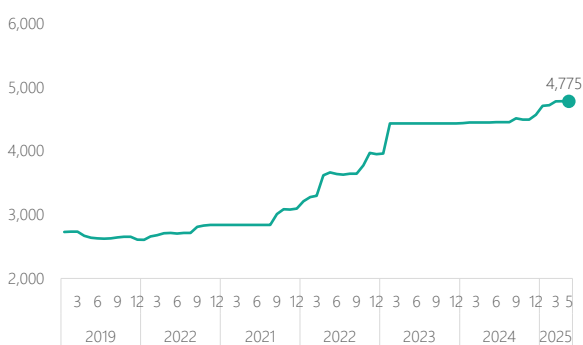
5. Vegetable oil (tugrik)



6. Potato (kg/tugrik)



7. Milk (litre/tugrik)



8. Diesel fuel (litre/tugrik)



Source: National Statistics Office

Note: This graph shows monthly fluctuations in the prices of some items within the consumer basket.

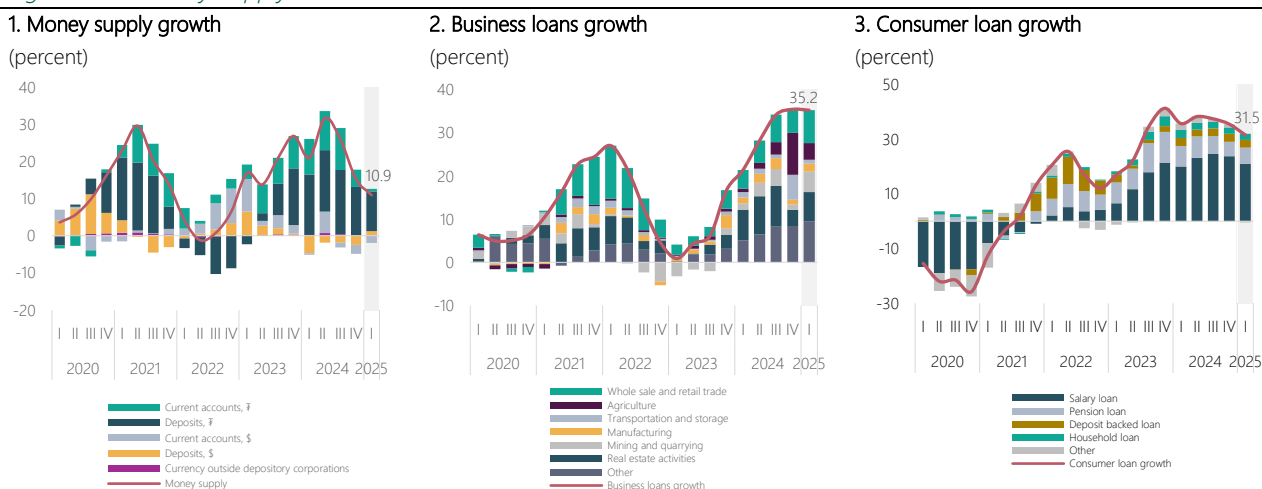
## 3.2. Monetary and financial sector

**52. Money supply has decelerated.** By the end of the first quarter of 2025, money supply growth reached 10.9 percent, decreasing by 10.0 percentage points compared to the same period last year. On the liabilities side, domestic currency deposits were the main contributor to money supply growth. Specifically, domestic currency deposits accounted for 10.7 percentage points, domestic current accounts for 0.7 percentage points, foreign currency deposits for 1.2 percentage points, and currency outside depository corporations for 0.2 percentage points. In contrast, foreign currency current accounts exerted a negative contribution of 1.9 percentage points. On the asset side, net domestic assets contributed 22.9 percentage points to the growth, while net foreign assets had a dampening effect of 12.0 percentage points. The decline in net foreign assets was mainly due to an increase in borrowing from foreign financial institutions in March 2025, which led to a slowdown in net foreign asset growth and thereby in money supply. Meanwhile, robust credit growth continued to support the increase in net domestic assets.

**53. Credit growth remains elevated.** As of the first quarter of 2025, outstanding loans in the banking

accounted for 68 percent or 26.3 trillion MNT of the total, while consumer loans comprised 32 percent or 12.3 trillion MNT. The growth of outstanding business loans reached 34.4 percent in the first quarter of 2025, accelerating by 13 percentage points compared to the same period last year. The main contributors to business loan growth were increases in loans to wholesale and retail trade by 27.1 percent, real estate activities by 31 percent, mining and quarrying by 61 percent, and agriculture by 153.1 percent. The growth of outstanding consumer loans reached 31.5 percent in the first quarter of 2025, decelerating by 4.2 percentage points from the same period last year. Since 2023, the continuous increase in average wages has been the primary driver of salary loan growth, which in turn supported consumer loan expansion. Furthermore, the rise in pension loans and deposit-collateralized loans, which are not subject to debt and income-based limits, also contributed to consumer loan growth. Compared to the same period last year, salary loans grew by 43 percent, pension loans by 39 percent, and deposit-collateralized loans by 19.1 percent.

Figure 33.4 Money supply and credit indicators



Source: Estimation of MED, Bank of Mongolia statistics

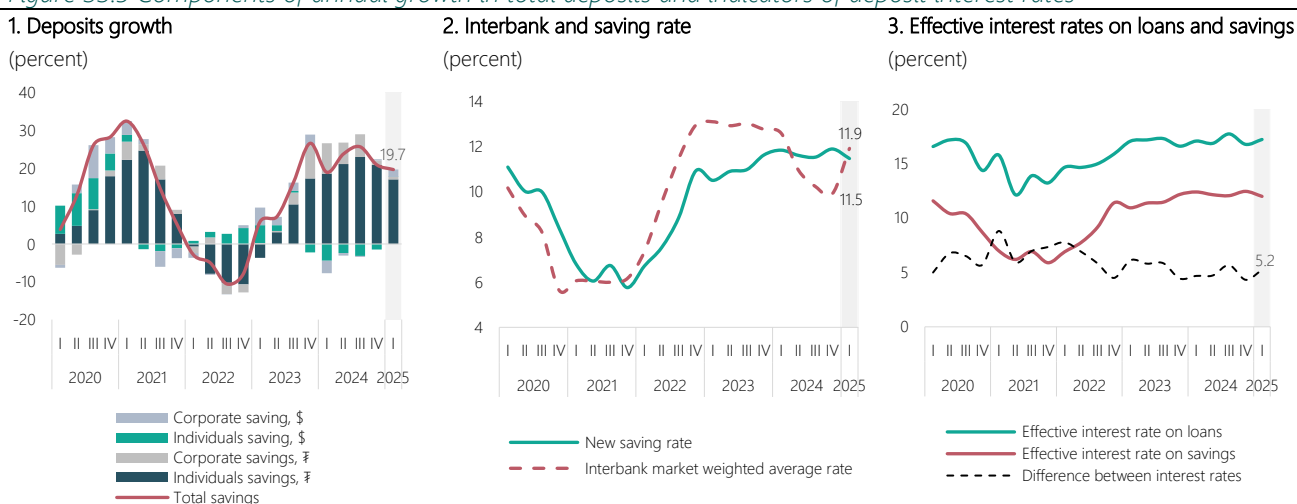
sector amounted to 38.6 trillion MNT, with an annual growth rate of 33.5 percent. Business loans

**54. Growth in newly issued loans recovered for business lending while slowing for consumer lending.** In the first quarter of 2025, the total newly issued loans in the banking sector reached 14.7 trillion MNT, increasing by 3.0 trillion MNT or 26.1 percent compared to the same period last year. Of the total, 61 percent were business loans and 39 percent were consumer loans. The annual growth of newly issued business loans reached 28.6 percent in the first quarter of 2025; a deceleration of 15.8 percentage points compared to the same period last year. The increase in business lending was mainly supported by higher loan disbursements to wholesale and retail trade, financial and insurance activities, construction, and the mining sector. Meanwhile, the growth of newly issued consumer loans stood at 22.3 percent in the first quarter of 2025, down by 4.8 percentage points year-on-year. The main contributors to the growth in consumer lending were loans backed by salary, pensions, and deposits. In March 2025, the central bank tightened consumer loan conditions by revising the debt-to-income ratio for new consumer loans to 50 percent and requiring that, for loans backed by pensions or benefits, the borrower’s remaining income after monthly payments must not fall below the minimum

**55. Non-performing loans in the banking sector declined year-on-year but increased from the previous quarter.** As of the first quarter of 2025, the total amount of non-performing loans in the banking sector reached 2 trillion MNT, representing a 0.4 percent decrease compared to the same period of the previous year, but a 9.4 percent increase from the previous quarter. The non-performing loans ratio stood at 5.3 percent of total outstanding loans. In terms of sectoral composition, 17.8 percent of non-performing loans were concentrated in manufacturing, 16.3 percent in construction, 14.6 percent in wholesale and retail trade, 14.4 percent in salary loans, and 12.3 percent in the mining and extractive industries. The deterioration in overall loan quality compared to the previous quarter was mainly driven by an increase in defaults on salary and wholesale and retail trade loans.

**56. Growth in individuals’ domestic currency deposits remains strong.** As of the first quarter of 2025, total deposits in the banking sector reached 26.9 trillion MNT, representing a 19.7 percent increase compared to the same period last year. Of this amount, individuals’ deposits stood at 22.5 trillion MNT, up by 20.6 percent year-on-year. Specifically, individuals’ domestic currency

Figure 33.5 Components of annual growth in total deposits and indicators of deposit interest rates



Source: Estimation of MED, Bank of Mongolia statistics.

Notes:  $Effective\ interest\ rate = (1 + nominal\ annual\ interest\ rate / number\ of\ compounding\ periods\ per\ year)^{(Number\ of\ compounding\ periods\ per\ year)} - 1$

subsistence level.

deposits reached 19.0 trillion MNT, reflecting a 25.4 percent increase, while foreign currency deposits

amounted to 3.5 trillion MNT, growing by 0.1 percent. Deposits held by corporations totaled 4.4 trillion MNT, increasing by 15.2 percent from the same period of the previous year. Of this, corporations' domestic currency deposits rose to 3.0 trillion MNT, up by 5.4 percent, while corporations' foreign currency deposits reached 1.4 trillion MNT, registering a 43.2 percent increase. As of the first quarter of 2025, the weighted average interest rate on domestic currency deposits stood at 11.8 percent, while the rate on foreign currency deposits reached 4.0 percent, representing increases of 0.1 and 0.4 percentage points, respectively, from the same period last year. The growth in individuals' domestic currency deposits was primarily driven by an increase in real household income.

**57. The level of asset dollarization declined compared to the same period of the previous year.**

In the first quarter of 2025, the share of foreign currency current and deposits in broad money stood at 22.2 percent, a decrease of 3.1 percentage points compared to the same period last year. The decline in asset dollarization was primarily driven by a 14.5 percent year-on-year decrease in foreign currency current accounts.

**58. Weighted average interbank rate increased.**

In March 2025, the monetary policy rate was raised by 2 percentage points to 12 percent. The weighted average interest rate in the interbank market reached 11.9 percent in the first quarter of 2025, representing a decrease of 0.7 percentage points compared to the same period last year, but an increase of 2 percentage points from the previous quarter.

**59. The spread between real effective rates on loans and deposits widened in the first quarter of 2025.** In the first quarter of 2025, the real effective loan rate of commercial banks rose to 17.2 percent, increasing by 0.1 percentage points year-on-year and by 0.4 percentage points from the previous quarter. In contrast, the real effective deposit rate declined to 12.0 percent, down by 0.4 percentage

points both year-on-year and quarter-on-quarter. As a result, the spread between real effective loan and deposit rates widened by 0.6 percentage points compared to the same period last year and by 0.9 percentage points from the previous quarter. The increase in the policy rate by 2 percentage points contributed to the widening of this spread.

**60. Credit expansion is showing growth.** In the fourth quarter of 2024, total outstanding loans reached 45.9 percent of gross domestic product, an increase of 7.8 percentage points compared to the same period last year. After a period of slowdown in 2022–2023, credit expansion began to gain momentum in 2024 due to increased economic activity. The loan-to-deposit ratio of the banking sector stood at 1.44 in the first quarter of 2025, rising by 0.15 percentage points year-on-year and by 0.05 percentage points from the previous quarter. The rise in this ratio was driven by strong credit growth in the banking sector and improved profitability of banks. However, an excessively high loan-to-deposit ratio increases liquidity risk.

**61. Banking sector profitability remains stable**

The return on assets (ROA) of the banking sector stood at 2.4 percent in the first quarter of 2025, decreasing by 0.4 percentage points year-on-year and by 0.2 percentage points from the previous quarter. Although the ROA declined compared to the same period last year, remaining above 2 percent indicates that banks are maintaining a relatively high level of profitability. On the liabilities side, the increase in domestic currency deposits and improvements in loan quality mainly contributed to improved profitability.

**62. Credit growth of non-bank financial institutions remains high.** As of the first quarter of 2025, a total of 575 non-bank financial institutions (NBFIs) were operating, with outstanding loans reaching 6.3 trillion MNT, marking an increase of 55.1 percent compared to last year. Of the total loans issued, 94.1 percent were extended to individuals and 5.9 percent to legal entities. In the

first quarter of 2025, 88.7 percent of all NBF1 borrowers, which is 2.3 million clients, received loans totaling 1.8 trillion MNT through fintech-based lending services. The weighted average

monthly interest rate on loans issued by NBF1s stood at 3.5 percent, showing a decrease of 0.1 percentage points compared to the same period last year.

Table 2 Financial sector vulnerability

		Credit Expansion	Asset Quality	Profitability	Solvency	Liquidity
		Total loans/GDP (%)	NPLs/Total loans (%)	Return on assets (%)	Deposits to loan ratio (%)	Liquid assets (% short-term liability)
2020	I	44.8	10.8	0.3	123	56.4
	II	45.4	11.1	1.2	114	47.6
	III	45.4	11.4	1	104	46.7
	IV	45	11.8	0.5	95	57.6
2021	I	39.1	11.5	1.1	95	56.6
	II	42.4	10.3	2.2	100	61.6
	III	44.8	9.9	1.5	105	55.2
	IV	46.2	10	0.7	110	60.5
2022	I	39.9	9.7	2	123	49.8
	II	42.4	9	3.5	128	50.6
	III	41.5	11.2	1.3	134	47.5
	IV	40.1	9.2	2.8	127	64.2
2023	I	32.3	9.6	2.4	122	54.3
	II	35.6	8.7	2.7	131	55.4
	III	36.3	8.5	2.4	131	57.9
	IV	38.1	7.5	2.6	124	68
2024	I	36.1	7.1	2.8	129	66.3
	II	41.5	5.9	3.4	139	62.8
	III	43.7	5.7	2.3	141	60.1
	IV	45.9	5.1	2.6	139	66.9
2025	I	-	5.3	2.4	144	63.7

Note: Liquid assets are calculated as the sum of cash, current and deposit accounts at the central bank, and central bank securities.

Source: Estimation of MED

## CHAPTER IV

### EXTERNAL SECTOR

- 4.1. Foreign trade
- 4.2. Balance of payments
- 4.3. External debt

## 4. EXTERNAL SECTOR

### OVERVIEW

Export volumes of key mining commodities, such as coal, copper concentrate, and iron ore, remained at levels comparable to the same period of the previous year; however, the decline in coal prices constrained the growth of export revenues. Despite a moderation in import growth, reduced export inflows led to a widening of the current account deficit by 1.8 times compared to the same period of the previous year.

## 4.1. Foreign trade

**63. Although the foreign trade balance was in surplus, total trade turnover declined compared to the same period of the previous year.** Mongolia recorded a trade surplus of USD 465 million in the first quarter of 2025, conducting trade with 123 countries. Nonetheless, total trade turnover reached USD 5.6 billion, reflecting an 8.4 percent decline compared to the same period last year.

**64. Export growth slowed.** In the first quarter of 2025, Mongolia’s exports totaled USD 3.0 billion, marking a 17.7 percent decline compared to the same period last year. The drop was mainly driven by lower export volumes of coal and falling coal prices on the international market. While volumes of key export commodities are expected to remain stable at relatively high levels, border prices—particularly for products other than copper concentrate—are projected to decline due to external market conditions.

**65. Coal export volume and prices declined due to external factors.** China’s Lunar New Year holiday led major steel producers to scale back their purchases of coking coal, which negatively impacted Mongolia’s coal exports. As a result, coal export volumes reached 17.5 million tons in the first quarter of 2025, down 3.3 percent year-on-year. In

addition, the average price dropped by 38 percent compared to the same period last year, causing coal export revenues to fall by 40 percent. This significantly weighed on overall export performance. Looking ahead, while external demand for coal is expected to remain steady and support volume growth, prices are unlikely to recover in the near term.

**66. Exports of major commodities, excluding copper concentrate, declined.** In the first quarter of 2025, copper concentrate exports reached 456 thousand tons, up 24 percent year-on-year. This growth was driven by the stabilization of underground mining operations and sustained strong global demand for copper. In contrast, iron ore exports fell to 1.77 million tons, down 2 percent from a year earlier, while crude oil exports dropped to 915 thousand tons, a 12.9 percent decrease. These declines reflect oversupply in China’s domestic steel production as well as uncertainty in international trade caused by tariff policies and trade disputes. Looking ahead, copper concentrate and iron ore output are expected to grow steadily, while global refined copper prices are likely to trend upward.

Figure 4.1. Exports

1. Export growth (percent)



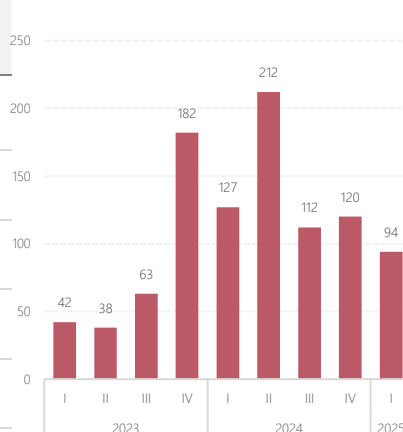
Source: MCGA

2. Export volumes of main commodities

Product	2024.Q3	2025.Q3	Growth
Copper concentrate /thousand.ton/	367	456	24.2%
Coal /million ton/	18.1	17.5	-3.3%
Gold /kg/	3.1	1.9	-40.6%
Iron ore /thousand.ton/	1,803	1,768	-2.0%
Crude oil /thousand.bbl/	1,051	915	-12.9%

Source: MCGA

3. Coal trades at the Mongolian commodity exchange



Source: Mongolian stock exchange

**67. Exports of certain animal based products declined due to export restrictions.** Under the

decision to ban exports of washed cashmere, cashmere exports in the first quarter of 2025 fell by

34 percent year-on-year. In addition, weak activity in the processing industry led to a 45 percent drop in meat exports and a 75 percent decline in leather exports.

**68. Trading activity in the Mongolian commodity exchange weakened.** As of the first quarter of 2025, the exchange recorded sales of 678 thousand tons of coal worth USD 56 million, 2.073 million tons of iron ore and concentrate worth USD 125 million, 4.5 thousand tons of copper concentrate worth USD 9 million, and 11.6 thousand tons of fluor spar ore and concentrate worth USD 3 million. While 212 successful transactions were concluded in the second quarter of 2024, trading activity has steadily declined since the third quarter, plunging to just 94 transactions in the first quarter of 2025.

**69. Import growth moderated.** In 2024, strong economic activity, rising household income, and increased lending improved the purchasing power of households and enterprises, resulting in elevated import flows of goods and products. As of the first quarter of 2025, imports increased by USD 134 million, or 5.5 percent, compared to the same period of the previous year, indicating a slowdown in growth.

**70. By commodity group,** consumer products contributed 6.6 percentage points to total import growth, while investment machinery and equipment, and construction materials contributed 0.3 percentage points. In contrast, industrial inputs had a negative contribution of 1.4 percentage points.

**71. Consumer products imports remained elevated.** Passenger vehicles and food products were the main drivers of growth in consumer products imports. Passenger vehicle imports reached USD 325 million, increasing by 29 percent compared to the same period of the previous year. A municipal decree issued by the Ulaanbaatar Mayor stipulates that, starting June 1, 2025, vehicles

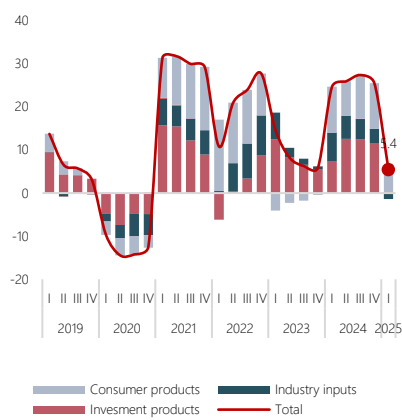
older than 10 years will no longer be eligible for new license plate registration. Approximately 50 percent of imported passenger vehicles are older than 10 years, and imports are expected to remain elevated until the measure takes effect. In addition, household food consumption increased by 16 percent in the first quarter of 2025, contributing to a 14 percent rise in food imports, which reached USD 254 million.

**72. Imports of construction materials increased amid intensified project implementation.** In the first quarter of the year, construction material imports reached USD 230 million, rising by 18.6 percent compared to the same period of the previous year. Also, due to the construction of major projects such as the Erdeneburen Hydroelectric Power Plant, the Oil Refinery, the Selbe Sub-Center, and the Tuuli Highway, the growth in construction materials imports is expected to remain high this year.

**73. Due to a slowdown in the price growth of goods from trading partner countries, the cost price of imported goods remained relatively low.** Of the USD 133 million increase in imports compared to the same period of the previous year, about 88 percent was driven by volume effects and about 12 percent by price increases (Figure 4.2). Slowing inflation in major trading partner countries contributed to subdued import price growth. For instance, inflation in China, which accounts for 40 percent of total imports, averaged -0.1 percent in the first quarter of 2025. In contrast, inflation in Russia, which accounts for 25 percent of total imports, averaged 10.2 percent during the same period. However, around 70 percent of imports from Russia consist of petroleum products, including 21 percentage points from AI-92 gasoline and 45 percentage points from diesel fuel. Under a 2022 agreement with Rosneft, AI-92 gasoline has been purchased at stable prices, and the decline in Russian diesel prices contributed to keeping overall import price increases low.

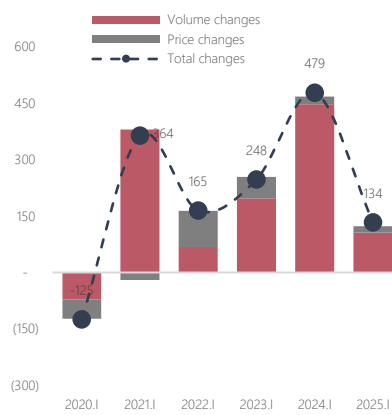
Figure 4.2. Imports

1. Annual growth in imports (percent)



Source: MCGA

2. Annual change in imports (USD million)



Source: MED estimates

3. Imports of main products (USD million)

Products	2024.03	2025.03	Change
Food	223	254	13.8%
Passenger car	252	325	28.9%
Heavy truck	125	143	14.7%
Construction material	194	230	18.6%
Equipment	421	457	8.6%
Fuel	504	519	3.0%
<b>Total</b>	<b>2,414</b>	<b>2,548</b>	<b>5.5%</b>

Source: MCGA

## 4.2. Balance of payments and external debt

**74. The current account deficit widened mainly due to the decline in exports.** Although the deficits in the services account and the primary income account, which includes interest payments on external loans and bonds, improved in the first quarter of 2025 compared to the same period of the previous year, goods exports declined by USD 579 million. As a result, the current account recorded a deficit of USD 959 million in the first quarter of 2025, with the deficit increasing by USD 422 million year-on-year. The decline in goods exports in March 2025 alone, which was USD 519 million lower than the previous year, accounted for the majority of the export contraction in the first quarter.

**75. Lower payments for business and construction services contributed to the reduction in the services account deficit.** Mongolia paid USD 1,194 million for service imports and earned USD 318 million in service revenues, resulting in a services account deficit of USD 876 million in the first quarter of 2025. This represented a decline of USD 168 million compared to the same period of the previous year. The reduction in the overall services account deficit was mainly driven by an USD 82 million decrease in expenditures on other business services and an USD 85 million decline in construction and building service expenses compared to the same period of the previous year.

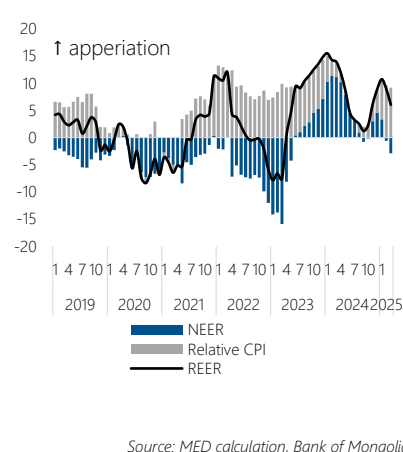
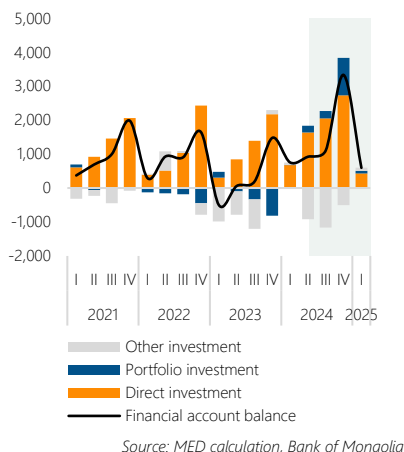
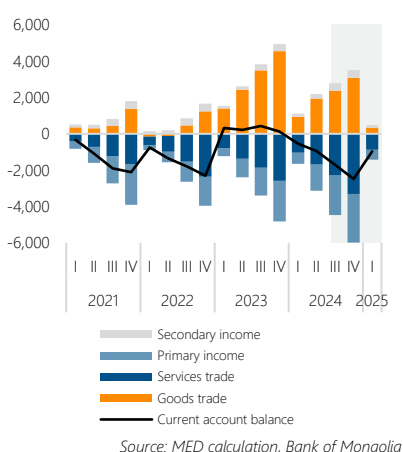
**76. The number of citizens traveling abroad for personal and tourist purposes has decreased, and the growth in spending on tourism services has slowed.** Travel services accounted for 42 percent of total service expenditures and 26 percent of service

revenues. As of the first quarter of 2025, revenues from travel services increased by 15 percent year-on-year, while expenditures rose by 8 percent. The annual growth in travel service expenditures slowed significantly, from USD 125 million, or 37 percent, in the first quarter of the previous year to USD 35 million, or 7 percent, in the first quarter of this year. The number of Mongolian citizens traveling abroad for personal and tourism purposes had increased 2.1 times year-on-year in the first quarter of 2024, but in the first quarter of this year it declined by 148 thousand people, or 35 percent, compared to the same period of the previous year.

**77. The financial account surplus reduced due to mining sector FDI reduction.** Although the government and commercial banks issued new external bonds, the financial account surplus decreased by USD 157 million in the first quarter of 2025 compared to the same period of the previous year due to lower foreign direct investment inflows. In particular, foreign direct investment inflows into Mongolia amounted to USD 666 million in the first quarter of 2025, down by USD 342 million, or 34 percent, year-on-year. By sector, foreign direct investment in mining reached USD 495 million, declining by USD 331 million, or 40 percent, while investment in professional, scientific, and technical activities fell by 40 percent year-on-year to USD 45 million. In contrast, foreign direct investment in the trade sector increased by USD 14 million, reaching USD 61 million. Total foreign direct investment across the remaining 18 sectors amounted to USD 64 million, increasing by only USD 5 million compared to the same period of the previous year.

*Figure 4.3. Current and financial account balances, exchange rate*

1. Current account balance (USD million)	2. Financial account balance (USD million)	3. Annual change in the exchange rate index (percent)
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**78. The growth rate of gross international reserves slowed, and the nominal effective exchange rate depreciated.** Gross international reserves reached USD 5.0 billion at the end of the first quarter of 2025, decreasing by USD 514 million compared to the end of the previous year. During the first quarter of 2025, the Bank of Mongolia supplied a total of USD 1,902 million to the currency market through auctions, which was USD 689 million, or 56.8 percent, higher than the same period of the previous year. The MNT/USD exchange rate stood at 3,488 MNT at the end of the first quarter of 2025, depreciating by MNT 67 from the beginning of the year. The nominal effective exchange rate index of the MNT, weighted by the currencies of Mongolia’s trading partner countries, depreciated by 2.9 percent year-on-year at the end of the first quarter of 2025, while the real effective exchange rate index, adjusted for price changes, appreciated by 5.6 percent.

**79. The current account balance deteriorated due to a slowdown in savings growth and an increase in investment.** From a savings-investment perspective, the current account balance reflects a difference between national savings and investment. Over the past 10 years, Mongolia’s investment demand has exceeded its savings, and the current account recorded deficits in all years except 2023. Measured as the sum of the last four quarters, the current account deficit reached 12 percent of GDP in the first quarter of 2025, increasing by 8.6 percentage

points compared to the same period of the previous year. This was mainly driven by an 8.1 percentage point increase in the share of savings remaining from total income after consumption relative to GDP due to higher consumption growth. When dividing the economy into the public and private sectors, government savings declined while investment demand increased, whereas both savings and investment in the private sector decreased.

**80. Mongolia’s net international investment position remains weak.** Mongolia’s net international investment position, which reflects the difference between Mongolia’s financial assets held abroad and its liabilities owed to foreign countries, reached negative USD 45.2 billion in the first quarter of 2025, equivalent to negative 186 percent of GDP. As of the first quarter of 2025, foreign-owned financial assets in Mongolia amounted to USD 54.5 billion, which was 5.8 times larger than Mongolia’s financial assets held abroad. Of these foreign-owned financial assets, 62 percent, or USD 33.9 billion, consisted of direct investment, while 26 percent, or USD 14.1 billion, consisted of loans. Meanwhile, 53 percent, or USD 5.0 billion, of Mongolia’s financial assets held abroad consisted of reserve assets. Excluding direct investment, Mongolia’s net international investment position stood at negative 51 percent of GDP in the first quarter of 2025. Going forward, it is necessary to contain the current account deficit and strengthen foreign exchange

reserves in order to improve the net international investment position and reduce vulnerability to external shocks.

**81. The stock of total external debt increased.** Due to increased borrowing from international markets by the government, the central bank, and the private sector, Mongolia’s total outstanding external debt reached USD 38.0 billion at the end of the first quarter of 2025, increasing by USD 0.8 billion, or 2.2 percent, compared to the previous quarter. This was equivalent to 157 percent of GDP.

**82. The majority of the increase in private sector external debt was driven by the financial and mining sectors.** The private sector’s external debt increased by USD 456 million in the first quarter of 2025 compared to the previous quarter. This was mainly due to a USD 271 million increase in external debt in the financial and insurance sector and a USD 249 million increase in external debt in the mining sector.

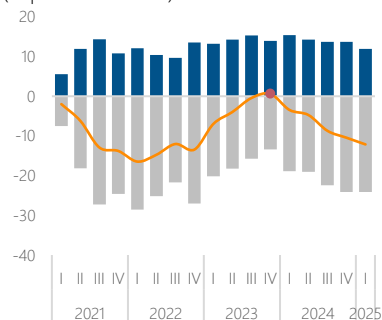
**83. Direct investment liabilities and loans account for the majority of the country’s total external debt.**

46 percent of the total external debt, amounting to USD 17.6 billion, consists of intercompany lending, while 37 percent, or USD 14.1 billion, is in the form of loans. Of the outstanding loans, 55 percent were government and central bank loans, while 45 percent were private sector loans. It is important to maintain macroeconomic stability and improve credit ratings to increase sources and reduce costs of external financing.

**84. External debt dynamics remain particularly vulnerable to exchange rate and current account shocks.** The external debt-to-GDP ratio remains particularly sensitive to exchange rate and current account shocks. Compared to the baseline scenario, over the medium term, the external debt-to-GDP ratio is expected to increase by 10.2 percentage points in response to a one standard deviation decline in the current account balance, and by 18.3 percentage points following a 10 percent depreciation of the MNT.

Figure 4.4. Current account balance and net international investment position

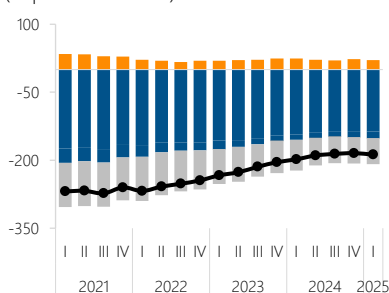
1. Current account balance annual change (in percent of GDP)



Legend for Figure 1:  
 - Current account balance (grey bar)  
 - Private sector S-I gap (blue bar)  
 - Government S-I gap (orange line)

Source: MED calculation, Bank of Mongolia

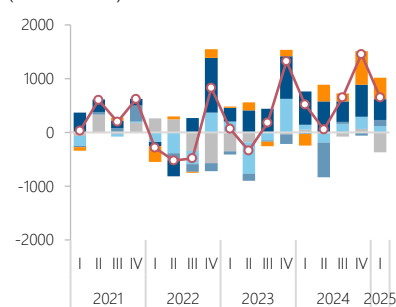
2. Net international investment position (in percent of GDP)



Legend for Figure 2:  
 - Reserve assets (orange)  
 - Other investment (net) (grey)  
 - Financial derivatives (net) (dark grey)  
 - Portfolio investment (net) (blue)  
 - Direct investment (net) (dark blue)  
 - Net international investment position (black line)

Source: MED calculation, Bank of Mongolia

3. Change in external debt (QoQ) (USD million)



Legend for Figure 3:  
 - Deposit-taking corporations (orange)  
 - Direct investment: intercompany lending (blue)  
 - Central bank (light blue)  
 - Government (grey)  
 - Other sectors (dark grey)  
 - Total gross external debt (red line with circles)

Source: MED calculation, Bank of Mongolia

Note: Calculated as rolling sum of four quarters. Investment is displayed as a negative value. In the last figure, real GDP growth and inflation rates are assumed to be constant.





## CHAPTER V

### WORLD ECONOMY

- 5.1. World economic situation
- 5.2. Commodity market development
- 5.3. Indexes updated in 2024

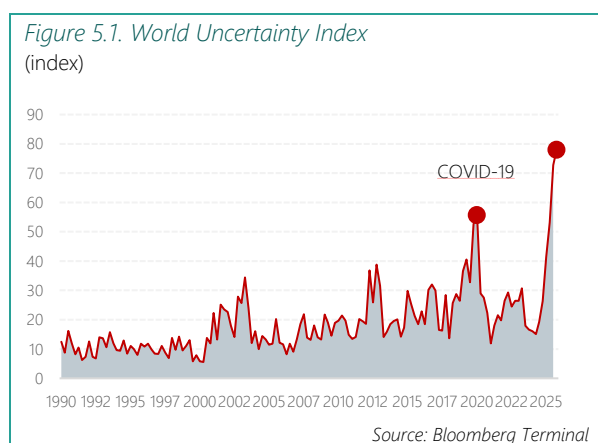
## 5. WORLD ECONOMY

### OVERVIEW

Global economic growth reached 3.3 percent in 2024; however, global uncertainty increased due to geopolitical instability and the escalation of trade tensions.

## 5.1. World economy

**85. Global uncertainty has increased in the context of trade tensions.** Driven by geopolitical instability and the evolving trade conflict, the World Uncertainty Index has reached a historical high. Against this backdrop, the IMF, in its April 2025 update, revised down its global growth projections, lowering the 2025 forecast from 3.3 percent to 2.8 percent and the 2026 forecast from 3.3 percent to 3.0 percent. These represent downward revisions of 0.5 percentage points and 0.3 percentage points, respectively, from the projections announced in January 2025. In addition, in June 2025, the World Bank revised down its global growth forecasts, reducing the 2025 projection from 2.7 percent to 2.3 percent and the 2026 projection from 2.7 percent to 2.4 percent.



**86. China's economic growth moderated.** China's economy expanded by 5.4 percent in the first quarter of 2025, reaching the government's target. However, continued weakness in the real estate sector and subdued domestic demand are

constraining economic activity. In April 2025, the IMF projected China's economic growth at 4 percent for both 2025 and 2026. However, elevated uncertainty related to trade tensions continues to weigh on China's economic outlook.

**87. The euro area economy expanded by 0.8 percent in 2024.** The euro area economy grew by 0.8 percent in 2024 and by 0.3 percent in the first quarter of 2025. Weak industrial activity in Germany, which accounts for around 30 percent of the region's economy, continues to constrain growth. In the context of trade tensions, growth is expected to remain at 0.8 percent in 2025. The IMF projects that growth will accelerate to 1.2 percent in 2026, supported by real wage growth and fiscal expansion in Germany.

**88. The U.S. economy expanded by 2.8 percent in 2024, supported by growth in consumption and investment, but contracted by 0.2 percent in the first quarter of 2025, reflecting the impact of import growth.** Due to trade tensions, policy uncertainty, and weakening demand prospects, the IMF revised down its U.S. growth projections. The 2025 growth forecast was lowered to 1.8 percent and the 2026 forecast to 1.7 percent. These represent downward revisions of 0.9 percentage points and 0.4 percentage points, respectively, from previous projections. The expanding scope of trade tensions increases the risk of contraction in global trade and investment flows and rising inflation, affecting not only the United States but also the global economy.

## 5.2. Commodity market developments

**89. The average price of copper on the London Metal Exchange (LME) reached USD 9,340 per ton in the first five months of 2025, marking a 2.1 percent increase from the previous year.** Early-year price gains were driven by large manufacturers increasing copper inventories in response to U.S. tariff policies; however, prices retreated to a three-month low after the tariffs took effect in April. Despite rising uncertainty in the global economy, demand for copper is expected to strengthen on the back of rapid growth in electric vehicles, renewable energy, data centers, and technology industries. International analysts project that the average copper price will reach USD 9,200 per ton in 2025 and USD 9,700 per ton in 2026.

**90. The average price of high-grade Australian coking coal on the Singapore Exchange reached USD 186 per ton in the first five months of 2025, marking a 23.3 percent decline from the previous year.** The price drop was primarily driven by slower procurement from major Chinese steel mills during the Lunar New Year holiday and increased steel supply to India, the world's second-largest coking coal consumer. Broader global uncertainty and ongoing trade tensions have added further downward pressure. International analysts forecast that coking coal will average USD 180 per ton in 2025 and USD 178 per ton in 2026, while Mongolia's coal export price is projected to average USD 80 per ton over 2025–2026.

**91. The average gold price on the London Metal Exchange (LME) reached USD 3,021 per ounce in the first five months of 2025, marking a 26.5 percent increase from the previous year.** The U.S. Federal

Reserve's interest-rate cuts in 2024 boosted demand for gold, supporting higher prices. With rising global uncertainty, gold prices are expected to remain on an upward trajectory. International analysts project that gold will average USD 2,900 per ounce in 2025 and USD 2,600 per ounce in 2026.

**92. The average price of 62-percent-grade iron ore reached USD 101 per ton in the first five months of 2025, marking a 7.9 percent decline from the previous year.** Increased supply from Australia and Brazil, coupled with China's prolonged property market downturn, has weighed on prices. With no near-term recovery expected in China's real-estate sector and stable output growth from major producers, iron ore prices are likely to decline further. International forecasts place the average price at USD 95 per ton in 2025 and USD 90 per ton in 2026. Mongolia's iron-ore export price is projected to average USD 72 per ton in 2025 and USD 69 per ton in 2026.

**93. The average price of Brent crude oil reached USD 69 per barrel in the first five months of 2025, marking a 7.9 percent decline from the end of the previous year.** Rising production in the United States, Canada, and Brazil, combined with subdued Chinese demand, has been the key driver of price weakness. Geopolitical uncertainty and trade-related economic slowdowns are expected to maintain downward pressure. International analysts forecast Brent crude to average USD 75 per barrel in 2025 and USD 70 per barrel in 2026. Mongolia's crude-oil export price is projected at USD 75 per barrel in 2025 and USD 72 per barrel in 2026.

*Figure 5.2. Commodity prices*

1. Copper price on the London metal exchange (\$/ton)

2. Iron ore 62% price, Northeast China (\$/ton)



Source: Bloomberg terminal



Source: Bloomberg terminal

**3. Australian high quality coking coal price on the Singapore exchange (\$/ton)**



Source: Bloomberg terminal

**4. Brent oil price (\$/barrel)**



Source: Bloomberg terminal

### 5.3. Indexes updated globally

#### 94. Index of Economic Freedom:

In the annual Index of Economic Freedom<sup>3</sup>, by The Heritage Foundation, Mongolia ranks 74th out of 184 countries in 2025, up by 2 places from the previous year.

As a result, the target set in the Government’s 2024-2028 Action Program to reach 75th place in the Index of Economic Freedom by 2025 has been exceeded.

*Table 3. Mongolia's Score and Ranking in the Index of Economic Freedom*

Pillars	2024		2025	
	Score	Rank	Score	Rank
Rule of Law	46.2	#87	46.9▲	#86▼
Government Size	70.1	#73	77.3▲	#65▼
Regulatory Efficiency	67.8	#61	68.3▲	#64▲
Open Markets	58.1	#89	58.1●	#87▼
Overall Index	60.6	#76	62.6▲	#74▼

Mongolia scored 62.6 points in 2025, up 2.0 points from the previous year and 2.9 points higher than the global average of 59.7. This improvement was primarily driven by fiscal consolidation and reduced government spending based on 2023 data, which forms the basis of the 2025 index results. Furthermore, by index factors, Investment Freedom improved by 10 places, Tax Burden by 9 places, while Financial Freedom and Labor Freedom each improved by 4 places. The growth of the mining industry, increased trade turnover, improved economic indicators, and strengthened fiscal discipline have directly enhanced Mongolia's overall rating, as well as its ratings for investment, finance, and labor freedoms.

<sup>3</sup> The Index of Economic Freedom is measured with 12 quantitative and qualitative factors, grouped into four broad categories, or pillars: Rule of Law, Government Size, Regulatory Efficiency, and Market Openness. Each of the twelve economic freedoms within these categories is graded on a scale of 0 to 100, with a higher score indicating greater economic freedom, and a lower score reflecting weaker economic freedom.

The index is calculated using 12 indicators<sup>4</sup> weighted equally. Some indicators are measured only by a single quantitative sub-indicator, while others are measured by multiple qualitative sub-indicators and may contain additional indices. Therefore, indicators comprised of fewer sub-indicators have a greater impact on the overall index. Namely, Government Expenditure, Budget Deficit, and Inflation collectively account for over 20% of the evaluation. In other words, improving these indicators makes it possible to improve the assessment of the Index of Economic Freedom most easily.

**Government Expenditure:** This indicator is measured by the average of the last three years of government spending as a percentage of GDP, with lower values indicating better performance. In Mongolia, this indicator declined during the period 2021–2023 and was the primary driver of the improvement in the 2025 index score. Going forward, reducing this ratio further to around 30 percent of GDP—assuming stability in other indicators and comparable progress among peer countries—could improve Mongolia’s rank by 1–2 positions in the index (Figure 5.1-1).

**Budget Deficit:** The Fiscal Health indicator is calculated as a weighted average of the budget deficit-to-GDP ratio (80 percent weight) and the level of government debt (20 percent weight). The greater the budget surplus as a share of GDP, the higher the rating assigned to this indicator. In Mongolia’s case, the indicator improved during 2021–2023 and contributed positively to the 2025 index score. Maintaining a balanced budget remains a policy priority (Figure 5.1-2).

<sup>4</sup> The index is calculated as the average of sub-indicators, each scored on a scale from 0 to 100, including property rights, judicial effectiveness, government integrity, tax burden, government spending, fiscal health, business freedom, labor freedom, monetary freedom, trade freedom, investment freedom, and financial freedom.

**Inflation:** The Monetary Freedom indicator is based on the three-year average of inflation. In Mongolia, this average reached 11 percent during 2021–2023, resulting in a relatively low score for this component. In contrast, mid-ranking countries in this category recorded inflation rates around 4 percent. Thus, reducing the average inflation rate to 4–5 percent would contribute to improving the Monetary Freedom score (Figure 5.1-3).

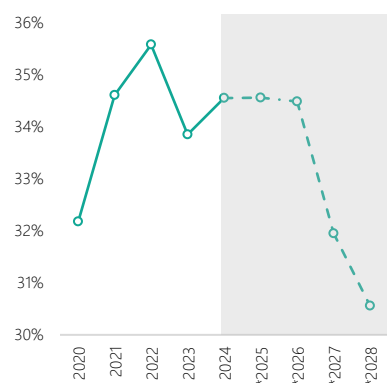
From a global perspective, the Economic Freedom Index average increased by 1.1 percent in 2025, reaching 59.7, after falling to its lowest level since 2001 in 2024 due to the lingering effects of the pandemic. However, post-pandemic fiscal challenges continue to weigh on fiscal discipline in many countries. Persistently high budget deficits and accumulated public debt are constraining productivity growth and limiting the prospects for a sustained economic recovery, the Heritage Foundation concludes.

The European Union and Singapore remain among the top performers in economic freedom. EU countries benefit from highly developed transparency in government activities, while Singapore excels in property rights protection, anti-corruption laws implementation, and transparent, pro-competitive regulations, along with a notably straightforward and efficient process for starting a

business. In contrast, countries at the bottom of the ranking include North Korea, Cuba, Venezuela, Zimbabwe, and Sudan.

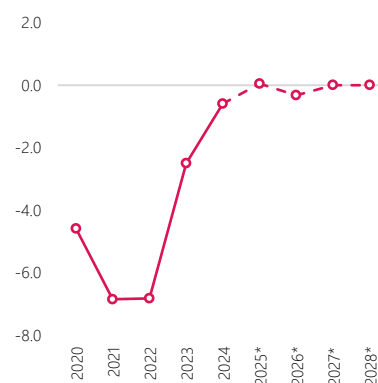
Figure 5.3. Index of Economic Freedom

1. Government expenditure as a share of GDP, average of the last 3 years (percent)



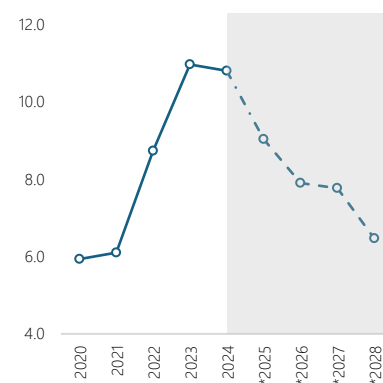
Source: MED calculation, Ministry of Finance statistics

2. Budget deficit as a share of GDP, average of the last 3 years (percent)



Source: MED calculation, Ministry of Finance statistics

3. Inflation, average of the last 3 years (percent)



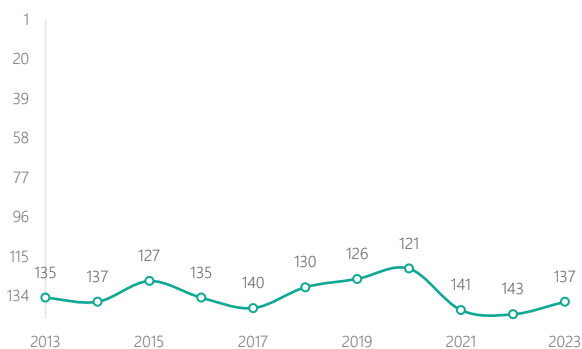
Source: MED calculation, Bank of Mongolia statistics

### 95. Economic Complexity Index:

According to the Economic Complexity Index<sup>5</sup> (ECI), calculated annually by the Harvard Growth Lab, Mongolia ranked 137th out of 145 countries in 2023, moving up 2 positions compared to the previous year (2022). However, this represents a decline of 2 positions compared to 10 years ago (2013) and a drop of 5 positions compared to 5 years ago (2018).

Looking at Mongolia’s ranking over the past 10 years (Figure 5.2), the country has been placed in the group of countries with the lowest economic complexity, falling into the 10th decile.

Figure 5.2. Mongolia's Ranking in the Economic Complexity Index, 2013–2023



Source: Harvard Growth Lab

The Economic Complexity Index measures the diversity of a country's exports and the know how of products. Products exported in raw material form are considered to have low knowledge intensity, while those involving technology and innovation are regarded as more knowledge-intensive. Export diversification reflects how many different products a country has a Revealed Comparative Advantage<sup>6</sup> in.

As of 2023, Mongolia exported a total of 406 products, of which it held a Revealed Comparative Advantage products in 40. Among these, only 9 were classified as more knowledge-intensive

products. The majority of these 40 products were agricultural and mining products—mainly raw materials. This indicates that Mongolia has low export diversification and a limited presence of technology and innovation-driven products.

In contrast, countries with a high Economic Complexity Index primarily export knowledge-intensive products such as electronic devices, machinery, and chemicals. For example, Japan, which ranked 3rd, has a comparative advantage in 323 products, of which 272 are knowledge-intensive.

<sup>5</sup> The Economic Complexity Index classifies the products countries export into simple and knowledge-intensive categories, assigning scores that reflect the level of productive knowledge in an economy. The index ranges from -3 to +3, where values closer to +3 indicate a high level of economic complexity, and values closer to -3 indicate low complexity.

<sup>6</sup> The number of products in which a country has a revealed comparative advantage is calculated based on how closely the country's export structure aligns with the global export structure. Specifically, if the share of a product in the country's total exports is greater than that product's share in global exports, then the country has a revealed comparative advantage in that product.

## 96. Human Development Index:

According to the Human Development Index<sup>7</sup> calculated annually by the United Nations Development Programme, Mongolia ranked 104th out of 193 countries in 2025, advancing one position.

This indicates that the Government's 2024–2028 Action Program target of improving the Human Development Index ranking by one position by 2025 has been met.

Breaking down Mongolia's score by indicators reveals the following details.

*Table 2. Score and ranking of Mongolia in the Human Development Index*

Indicators	2024		2025	
	Value	Rank	Value	Rank
Life expectancy at birth /years/	71.5	#117	71.7▲	#116▼
Mean years of schooling for adults aged 25 years and more /years/	9.4	#105	9.4●	#105●
Expected years of schooling for children of school entering age /years/	13.6	#93	13.6●	#95▲
GNI per capita (2021 PPP \$)	13,683	#105	14,787▲	#100▼
Human Development Index	0.742	#105	0.747▲	#104▼

A breakdown by indicator shows that Mongolia's life expectancy in the 2025 assessment (based on 2023 data) increased by 0.2 years compared to the previous year, and gross national income (GNI) per

capita rose by USD 1,004 (2021 PPP), resulting in a 0.005 point increase in the Human Development Index to 0.747.

Countries are categorized by their level of human development into very high, high, medium, and low. In 2025, 74 countries were classified as having very high human development (scoring 0.800 or above), 50 as high (0.700–0.799), 43 as medium (0.550–0.699), and 26 as low (below 0.550). Mongolia, with a score of 0.747, falls within the high human development category, but remains below the global average of 0.756. Compared to the global average, Mongolia has a higher mean and expected years of schooling, but lower life expectancy by 1.7 years and lower GNI per capita by USD 5,540 (2021 PPP).

Globally, Iceland, Norway, Switzerland, Denmark, Germany, and Sweden lead in human development with an average score of 0.965. In contrast, countries such as South Sudan, Somalia, Chad, Niger, and Mali rank lowest, with an average score of 0.410. The average Human Development Index score for OECD<sup>8</sup> countries is 0.916, for developing countries 0.712, and for least developed countries 0.560.

In 2024, the methodology of the index was revised to change the base year for calculating GNI per capita from 2017 to 2021. Additionally, Mongolia's life expectancy was corrected from 72.4 to 71.5. As a result, Mongolia's 2022 ranking was recalculated, changing from 96th to 105th.

<sup>7</sup> The Human Development Index reflects the development of human capabilities, capturing three fundamental dimensions of human life: the ability to lead a long and healthy life, to acquire knowledge, and to enjoy a decent standard of living. It comprises: (1) Health, measured by life expectancy at birth; (2) Education, calculated as the geometric mean of the average years of schooling for adults and expected years of schooling for children of school entering age; and (3) Standard of living, proxied by gross national income (GNI) per capita adjusted for purchasing power parity (PPP)

and corrected for inequality. The Human Development Index is the geometric mean of these three dimensions. It takes a value between 0 and 1, with values closer to 1 indicating higher human development and those closer to 0 reflecting weaker human development outcomes.

<sup>8</sup> The Organization for Economic Co-operation and Development

# Appendix

Table 33. Selected economic indicators

SELECTED ECONOMIC INDICATORS							
	2020	2021	2022	2023	2024Q1	2024Q2	2024Q3
<b>REAL SECTOR</b>							
Nominal GDP (in MNT billion)	37,453	43,555	53,852	70,442	16,663	37,420	56,188
Real GDP growth - production approach (percent change)	-4.6	1.6	5.0	7.4	7.9	5.6	5.0
Real GDP growth - expenditure approach (percent change)	-4.4	1.6	5.0	7.2	8.0	5.7	4.9
Domestic demand (percentage points)	-12.6	17.6	11.4	5.4	32.5	27.7	25.7
Exports of goods and services (percentage points)	-2.7	-7.5	13.9	18.0	-7.2	-1.5	-2.1
Imports of goods and services (percentage points)	11.0	-8.5	-20.3	-16.2	-17.3	-20.5	-18.8
<b>Contribution to real GDP growth (percentage points)</b>							
Final consumption	3.6	-2.3	6.5	7.0	22.0	21.5	16.9
Private	1.3	-4.0	5.1	6.3	12.7	12.1	10.0
Public	2.2	1.7	1.4	0.7	9.3	9.3	6.9
Gross capital formation	-16.2	19.9	4.9	-1.6	10.5	6.2	8.8
Net exports of goods and services	8.2	-16.0	-6.4	1.8	-24.5	-21.9	-20.8
<b>PRICES</b>							
Consumer prices (eop, percent change)	2.3	13.8	13.2	7.9	7.0	5.1	6.7
Copper prices* (\$/ton)	6,178	9,315	8,815	8,479	8,443	9,094	9,132
Gold prices* (\$/troy ounce)	1,772	1,799	1,802	1,943	2,074	2,206	2,688
Oil prices* (\$/barrel, Brent)	51	60	78	76	77	79	78
GDP deflator (percent change)	3.7	14.4	17.7	21.8	10.5	14.4	13.0
(in MNT billion)							
<b>GENERAL GOVERNMENT ACCOUNTS</b>							
Total revenue and grants	10,444	14,306	18,522	24,387	7,673	14,947	22,350
Structural revenue and grants	9,464	12,711	17,127	23,295	7,322	14,199	21,290
Total expenditure and net lending	13,904	15,630	18,160	22,509	5,695	12,911	19,822
Overall balance	-3,460	-1,324	362	1,878	1,978	2,036	2,528
Overall primary balance	-2,521	-488	1,160	3,028	2,380	2,631	3,486
Structural balance	-4,440	-2,919	-1,033	786	1,627	1,287	1,469
General government debt (nominal, in percent of GDP)	75.5	62.6	60.5	44.7	37.7	38.3	38.9
General government debt (nominal)	27,899	26,918	31,965	30,774	29,772	30,247	30,814
<b>MONETARY SECTOR</b>							
Broad money growth (percent change)	16.2	13.8	6.5	26.8	20.9	31.9	25.9
Reserve money growth (percent change)	-12.7	6.5	39.9	7.4	11.7	29.6	5.8
Velocity of money	1.5	1.6	1.8	1.9	2.0	1.9	1.9
Money multiplier	5.4	5.8	4.4	5.2	6.1	5.5	6.3
Credit growth** (percent change)	-4.0	18.5	7.5	22.7	22.3	27.3	31.3
(in USD million)							
<b>BALANCE OF PAYMENTS</b>							
Balance of payments	787	-222	-727	1,457	373	-57	-251
Current account balance	-675	-2,108	-2,304	121	-251	-583	-1,368
Gross official reserves (in USD million)	4,534	4,366	3,400	4,921	5,250	4,839	0
in months of imports of G&S	7.4	5.7	3.4	4.4	4.4	3.9	3.6
<b>Exchange rate</b>							
MNT/USD (average)	2,813	2,849	3,140	3,466	3,392	3,386	3,384
MNT/USD (eop)	2,850	2,849	3,445	3,411	3,376	3,381	3,381
Nominal effective exchange rate (average)	43.0	41.3	38.8	37.6	39.4	39.6	39.5
Real effective exchange rate (average)	102.9	102.8	105.7	111.1	117.6	119.2	119.4

\*Bloomberg Terminal

\*\*Includes mortgage-backed securities

Table 44. Real sector

REAL SECTOR							
	2020	2021	2022	2023	2024Q1	2024Q2	2024Q3
Nominal GDP (production approach)	37,453	43,555	53,852	70,442	16,663	37,420	56,188
Real GDP (production approach)	26,655	27,092	28,455	30,567	6,077	14,419	22,829
	(percent change)						
<b>Real GDP growth</b>	-4.6	1.6	5.0	7.4	7.9	5.6	5.0
<i>Mining</i>	-9.9	0.8	-15.3	23.4	13.3	15.4	11.4
<i>Non-mining</i>	-3.7	1.8	8.2	5.4	7.0	4.2	4.0
Agriculture	5.8	-5.5	12.0	-8.9	-24.8	-26.7	-25.0
Mining and quarrying	-9.9	0.8	-15.3	23.4	13.3	15.4	11.4
Manufacturing	3.4	-0.9	6.1	5.1	4.9	6.3	0.1
Electricity, gas, stream, air conditioning supply	1.8	9.4	3.3	5.0	7.7	5.3	5.2
Construction	-3.2	-22.8	8.2	3.1	27.7	19.5	7.8
Wholesale and retail trade	-12.5	5.8	10.1	6.8	6.0	6.8	7.9
Transportation and storage	-18.2	-7.3	9.2	39.6	26.9	24.7	15.7
Information and communication	5.2	20.7	6.6	17.0	27.5	17.4	14.4
Other service activities	-2.6	3.8	5.4	5.8	3.4	7.1	8.6
Taxes less subsidies on products	-9.4	12.2	11.5	6.6	13.1	15.0	14.6
Deflator	3.7	14.4	17.7	21.8	10.5	14.4	13.0
	(percentage points)						
<b>Contributions to real GDP growth</b>							
Agriculture	0.8	-0.8	1.7	-1.3	-1.0	-3.9	-3.5
Mining and quarrying	-1.4	0.1	-2.1	2.6	1.9	1.8	1.4
Manufacturing	0.3	-0.1	0.5	0.4	0.3	0.4	0.0
Electricity, gas, stream, air conditioning supply	0.0	0.2	0.1	0.1	0.3	0.2	0.1
Construction	-0.1	-0.9	0.2	0.1	0.2	0.3	0.1
Wholesale and retail trade	-1.4	0.6	1.1	0.8	0.7	0.7	0.9
Transportation and storage	-1.0	-0.3	0.4	1.8	1.3	1.0	0.9
Information and communication	0.1	0.5	0.2	0.5	0.9	0.6	0.5
Other service activities	-0.7	1.1	1.6	1.7	1.2	2.1	2.4
Taxes less subsidies on products	-1.1	1.3	1.4	0.8	2.1	2.3	2.1
	(in MNT billion)						
Nominal GDP (expenditure approach)	37,883	44,703	54,878	71,202	17,473	38,022	57,818
Primary income	-3,526	-6,359	-5,072	-7,738	-1,693	-4,465	-6,811
Gross national income	34,357	38,344	49,806	63,463	15,780	33,558	51,007
Secondary income	769	1,223	1,363	1,378	592	857	1,493
Gross national disposable income	35,126	39,566	51,169	64,842	16,372	34,414	52,501
Domestic demand	36,953	45,574	58,219	64,404	17,098	36,042	56,970
National savings	6,556	9,985	15,747	24,317	4,001	8,357	12,971
Gross capital formation	8,383	15,993	22,796	23,880	4,727	9,985	17,440

Table 5.5. General government accounts

GENERAL GOVERNMENT ACCOUNTS							
	2020	2021	2022	2023	2024Q1	2024Q2	2024Q3
	(in MNT billion)						
<b>TOTAL REVENUE AND GRANTS</b>	10,444	14,306	18,522	24,387	7,673	14,947	22,350
Future heritage fund	914	967	0	416	284	528	694
Stabilization fund	66	628	1,395	676	67	221	366
<b>STRUCTURAL REVENUE AND GRANTS</b>	9,464	12,711	17,127	23,295	7,322	14,199	21,290
<b>Tax revenue</b>	8,512	11,300	15,459	21,484	6,909	13,291	19,952
Income tax	2,227	3,326	3,827	5,703	2,557	4,266	6,402
Social security contributions	1,586	2,286	3,038	3,951	920	2,105	3,322
Property tax	155	201	238	395	109	240	335
Value added tax	2,209	2,838	3,946	4,777	1,286	2,777	4,313
Excise tax	777	827	848	790	280	515	819
Special tax revenue	17	17	19	22	6	13	19
Customs duties and export taxes	741	939	1,256	1,465	352	813	1,315
Other taxes, fees and charges	800	866	2,288	4,382	1,398	2,561	3,426
<b>Non-tax revenue</b>	952	1,412	1,668	1,811	413	908	1,338
General non-tax revenue	785	1,250	1,364	1,452	339	717	1,036
Capital revenue	1	2	4	8	1	2	5
Grant revenue	166	160	300	351	73	188	297
<b>TOTAL EXPENDITURE AND NET LENDING</b>	13,904	15,630	18,160	22,509	5,695	12,911	19,822
<b>Current expenditure</b>	10,829	12,804	14,229	17,091	4,698	10,376	15,551
Wages and salaries	2,649	2,532	1,666	2,327	1,081	2,585	3,706
Purchase of goods and services	2,202	2,170	2,140	2,758	687	1,660	2,432
Subsidies	375	454	537	580	134	367	649
Current transfers	4,663	6,813	9,088	10,276	2,394	5,170	7,807
Interest payments	939	836	798	1,150	402	595	958
Foreign	776	681	694	1,054	395	582	943
Domestic	163	155	104	96	6	13	15
<b>Capital expenditure and net lending</b>	3,075	2,826	3,930	5,418	997	2,535	4,271
Capital expenditure	3,034	2,982	3,803	5,188	843	2,296	3,967
Net lending	41	-156	127	229	154	239	304
<b>OVERALL BALANCE</b>	-3,460	-1,324	362	1,878	1,978	2,036	2,528
<b>PRIMARY BALANCE</b>	-2,521	-488	1,160	3,028	2,380	2,631	3,486
<b>STRUCTURAL BALANCE</b>	-4,440	-2,919	-1,033	786	1,627	1,287	1,469

Table 6.6. General government accounts (in percent of GDP)

GENERAL GOVERNMENT ACCOUNTS				
	2020	2021	2022	2023
	(in percent of GDP)			
<b>TOTAL REVENUE AND GRANTS</b>	27.9	32.8	34.4	34.6
Future heritage fund	2.4	2.2	0.0	0.6
Stabilization fund	0.2	1.4	2.6	1.0
<b>STRUCTURAL REVENUE AND GRANTS</b>	25.3	29.2	31.8	33.1
<b>Tax revenue</b>	22.7	25.9	28.7	30.5
Income tax	5.9	7.6	7.1	8.1
Social security contributions	4.2	5.2	5.6	5.6
Property tax	0.4	0.5	0.4	0.6
Value added tax	5.9	6.5	7.3	6.8
Excise tax	2.1	1.9	1.6	1.1
Special tax revenue	0.0	0.0	0.0	0.0
Customs duties and export taxes	2.0	2.2	2.3	2.1
Other taxes, fees and charges	2.1	2.0	4.2	6.2
<b>Non-tax revenue</b>	2.5	3.2	3.1	2.6
General non-tax revenue	2.1	2.9	2.5	2.1
Capital revenue	0.0	0.0	0.0	0.0
Grant revenue	0.4	0.4	0.6	0.5
<b>TOTAL EXPENDITURE AND NET LENDING</b>	37.1	35.9	33.7	32.0
<b>Current expenditure</b>	28.9	29.4	26.4	24.3
Wages and salaries	7.1	5.8	3.1	3.3
Purchase of goods and services	5.9	5.0	4.0	3.9
Subsidies	1.0	1.0	1.0	0.8
Current transfers	12.5	15.6	16.9	14.6
Interest payments	2.5	1.9	1.5	1.6
Foreign	2.1	1.6	1.3	1.5
Domestic	0.4	0.4	0.2	0.1
<b>Capital expenditure and net lending</b>	8.2	6.5	7.3	7.7
Capital expenditure	8.1	6.8	7.1	7.4
Net lending	0.1	-0.4	0.2	0.3
<b>OVERALL BALANCE</b>	-9.2	-3.0	0.7	2.7
<b>PRIMARY BALANCE</b>	-6.7	-1.1	2.2	4.3
<b>STRUCTURAL BALANCE</b>	-11.9	-6.7	-1.9	1.1

Table 7.7. Balance of payments

BALANCE OF PAYMENTS							
	2020	2021	2022	2023	2024Q1	2024Q2	2024Q3
	(in USD million)						
<b>I. CURRENT ACCOUNT</b>	-675	-2,108	-2,304	121	-251	-583	-1,368
Goods	1,756	1,370	1,233	4,549	920	1,865	2,223
Exports F.O.B (credit)	6,991	8,136	9,854	13,914	3,431	7,443	11,064
Imports F.O.B (debit)	5,235	6,766	8,622	9,366	2,511	5,578	8,841
Services	-1,450	-1,675	-2,355	-2,592	-846	-1,383	-2,019
Credit	655	814	1,135	1,587	275	615	1,190
Debit	2,105	2,490	3,490	4,179	1,121	1,998	3,209
Primary income	-1,253	-2,232	-1,615	-2,233	-499	-1,319	-2,012
Credit	341	292	344	455	132	279	430
Debit	1,595	2,524	1,959	2,687	631	1,598	2,442
Secondary income	273	429	434	398	175	253	441
<b>II. CAPITAL ACCOUNT</b>	103	114	154	135	32	78	120
Credit	105	116	166	149	36	87	130
Debit	2	2	12	14	4	9	10
<b>III. FINANCIAL ACCOUNT: net lending (+) / net borrow</b>	-1,504	-1,982	-1,644	-1,477	-857	-660	-1,307
Direct investment (net)	-1,693	-2,060	-2,428	-2,172	-580	-1,464	-1,975
Portfolio investment (net)	563	25	445	818	-16	-252	-277
Financial derivatives (net)	-6	-8	-11	-2	8	0	-8
Other investments (net)	-369	60	351	-121	-269	1,056	953
Of which: Currency and deposits	278	245	298	354	-245	894	755
Loans	-803	-501	67	-529	-86	-43	-157
Trade credit and advances	156	413	-15	54	61	205	356
<b>IV. Net errors and omissions</b>	-146	-209	-222	-276	-265	-213	-310
<i>Overall balance</i>	787	-222	-727	1,457	373	-57	-251
<b>V. Reserve assets</b>	787	-222	-727	1,457	373	-57	-251
Reserve	787	-225	-751	1,398	359	-96	-307
IMF loan	0	-3	-24	-59	-14	-38	-56
Exceptional financing	0	0	0	0	0	0	0
<b>Memorandum items:</b>							
Nominal GDP (in USD million)	13,314	15,286	17,150	20,325	4,912	11,052	16,603
Gross official reserves (in USD million)	4,534	4,366	3,400	4,921	5,250	4,839	4,663
in months of imports of G&S	7.4	5.7	3.4	4.4	4.4	3.9	3.6
MNT/USD exchange rate (average)	2,813	2,849	3,140	3,466	3,392	3,386	3,384
MNT/USD exchange rate (eop)	2,850	2,849	3,445	3,411	3,376	3,381	3,381

Table 8.8. Balance of payments (in percent of GDP)

BALANCE OF PAYMENTS				
	2020	2021	2022	2023
	(in percent of GDP)			
<b>I. CURRENT ACCOUNT</b>	-5.1	-13.8	-13.4	0.6
Goods	13.2	9.0	7.2	22.4
Exports F.O.B (credit)	52.5	53.2	57.5	68.5
Imports F.O.B (debit)	39.3	44.3	50.3	46.1
Services	-10.9	-11.0	-13.7	-12.8
Credit	4.9	5.3	6.6	7.8
Debit	15.8	16.3	20.4	20.6
Primary income	-9.4	-14.6	-9.4	-11.0
Credit	2.6	1.9	2.0	2.2
Debit	12.0	16.5	11.4	13.2
Secondary income	2.1	2.8	2.5	2.0
<b>II. CAPITAL ACCOUNT</b>	0.8	0.7	0.9	0.7
Credit	0.8	0.8	1.0	0.7
Debit	0.0	0.0	0.1	0.1
<b>III. FINANCIAL ACCOUNT: net lending (+) / net borrow</b>	-11.3	-13.0	-9.6	-7.3
Direct investment (net)	-12.7	-13.5	-14.2	-10.7
Portfolio investment (net)	4.2	0.2	2.6	4.0
Financial derivatives (net)	0.0	0.0	-0.1	0.0
Other investments (net)	-2.8	0.4	2.0	-0.6
Of which: Currency and deposits	2.1	1.6	1.7	1.7
Loans	-6.0	-3.3	0.4	-2.6
Trade credit and advances	1.2	2.7	-0.1	0.3
<b>IV. Net errors and omissions</b>	-1.1	-1.4	-1.3	-1.4
<i>Overall balance</i>	5.9	-1.4	-4.2	7.2
<b>V. Reserve assets</b>	5.9	-1.4	-4.2	7.2
Reserve	5.9	-1.5	-4.4	6.9
IMF loan	0.0	0.0	-0.1	-0.3
Exceptional financing	0.0	0.0	0.0	0.0
<b>Memorandum items:</b>				
Nominal GDP (in USD million)	13,314	15,286	17,150	20,325
Gross official reserves (in USD million)	4,534	4,366	3,400	4,921
in months of imports of G&S	7.4	5.7	3.4	4.4
MNT/USD exchange rate (average)	2,813	2,849	3,140	3,466
MNT/USD exchange rate (eop)	2,850	2,849	3,445	3,411

Table 99. Monetary sector

MONETARY SECTOR							
	2020	2021	2022	2023	2024Q1	2024Q2	2024Q3
	(in MNT billion)						
<b>Net foreign assets</b>	<b>5,816</b>	<b>3,806</b>	<b>2,492</b>	<b>8,959</b>	<b>9,775</b>	<b>9,865</b>	<b>8,437</b>
<b>Net domestic assets</b>	<b>18,664</b>	<b>24,057</b>	<b>27,173</b>	<b>28,665</b>	<b>27,625</b>	<b>31,603</b>	<b>33,366</b>
Domestic claims (net)	19,136	24,298	25,648	29,106	28,477	32,296	34,091
Other items (net)	-472	-241	1,525	-441	-852	-694	-726
<b>Broad money</b>	<b>24,481</b>	<b>27,863</b>	<b>29,665</b>	<b>37,624</b>	<b>37,400</b>	<b>41,467</b>	<b>41,803</b>
Currency outside depository corporations	753	847	831	906	827	1,040	961
Currency and deposits	23,728	27,016	28,834	36,719	36,573	40,428	40,841
	(percent change)						
<b>Broad money</b>	<b>16.2</b>	<b>13.8</b>	<b>6.5</b>	<b>26.8</b>	<b>20.9</b>	<b>31.9</b>	<b>25.9</b>
Net foreign assets	80.9	-34.6	-34.5	259.6	148.4	146.7	27.7
Net domestic assets	4.6	28.9	13.0	5.5	2.3	15.1	25.4
Domestic claims (net)	2.3	27.0	5.6	13.5	12.4	20.2	28.2
Net claims on government	-29.6	-49.8	107.6	91.3	57.9	53.9	30.1
Net claims on other sectors	-2.2	19.2	9.9	19.8	18.5	24.8	28.5
Claims on public sector	1,492.6	25.0	-5.0	-16.7	-8.6	13.2	0.2
Claims on private sector	-7.2	18.8	10.8	21.7	19.8	25.2	29.6
	(percentage points)						
<b>Contributions to broad money growth</b>							
<b>Broad money</b>	<b>16.2</b>	<b>13.8</b>	<b>6.5</b>	<b>26.8</b>	<b>20.9</b>	<b>31.9</b>	<b>25.9</b>
Net foreign assets	12.4	-8.2	-4.7	21.8	18.9	18.7	5.5
Net domestic assets	3.9	22.0	11.2	5.0	2.0	13.2	20.4
<b>Memorandum items:</b>							
Velocity of money	1.5	1.6	1.8	1.9	2.0	1.9	1.9
Nominal GDP growth (percent change)	-1.0	16.3	23.6	30.8	19.3	20.8	18.6
Consumer prices (eop, percent change)	2.3	13.8	13.2	7.9	7.0	5.1	6.7

