



GOVERNMENT OF
MONGOLIA

MINISTRY OF ECONOMY
AND DEVELOPEMTNT

MACROECONOMIC REPORT

2025Q3





MINISTRY OF ECONOMY
AND DEVELOPMENT

MACROECONOMIC REPORT

2025 Q3

SEPTEMBER 2025

The findings, interpretations, and conclusions expressed in this report do not necessarily reflect the views of the Ministry of Economy and Development.

Total or partial use of this document is permitted only for non-commercial purposes. Please cite the work as follows: "Ministry of Economy and Development. Macroeconomic Report – 2025Q3"

For questions and comments, please contact via MEPD@med.gov.mn or at the Ministry of Economy and Development, Chingeltei district, J.Sambuu Street, Government Building 11, Ulaanbaatar 15141, Mongolia

MACROECONOMIC REPORT

2025 Q3

CONTENT

EXECUTIVE SUMMARY	6
NEAR-TERM OUTLOOK.....	8
1. REAL SECTOR	10
1.1. Aggregate supply	11
1.2. Aggregate demand	19
1.3. Labor Market and Enterprises	21
1.4. Business cycle	27
2. FISCAL SECTOR.....	29
2.1. Budget performance	30
2.2. Fiscal policy.....	34
2.3. Government debt sustainability.....	35
3. MONETARY SECTOR	38
3.1. Inflation	39
3.2. Monetary and financial sector	43
4. EXTERNAL SECTOR.....	48
4.1. Foreign trade	49
4.2. Balance of payments and external debt.....	52
5. WORLD ECONOMY.....	57
5.1. World Economy.....	58
5.2. Commodity market developments.....	59
5.3. Indexes updated globally.....	61
Appendix	65

Lists of figure, table, box

Figure 1.1. Real GDP growth	15
Figure 1.2. Growth contribution	19
Figure 1.3. Labor market	21
Figure 1.4. Enterprises	24
Figure 1.5. Consumer Confidence Index, by quarter	25
Figure 1.6. Labor market demand.....	26
Figure 1.7. Output gap.....	27
Figure 2.1. Budget revenue.....	31
Figure 2.2. Budget expenditures	32
Figure 2.3. Fiscal balance and stance	34
Figure 2.4. Government debt.....	35
Figure 2.5. Government debt Sustainability.....	36
Figure 3.1 Inflation	39
Figure 3.2 Taylor's Rule and monetary conditions index	41
Figure 3.3 Prices of some items.....	42
Figure 3.4 Money supply and credit indicators.....	43
Figure 3.5 Components of annual growth in total deposits and indicators of deposit interest rates.....	44
Figure 4.1. Exports.....	51
Figure 4.2. Imports	51
3ypar 4.3. Current and financial account balance, exchange rate	53
Figure 4.4. Current account, net international investment position, external debt.....	54
Figure 4.5. External debt sustainability.....	55
Figure 5.1. World Uncertainty Index.....	58
Figure 5.2. Commodity prices.....	59
Figure 5.3. Mongolia's Scores and Rankings in the Economic Freedom of the World Index	61
Table 1.1. Change in the number of enterprises operating by employee count.....	23
Table 1.2. Consumer Confidence Index Components	25
Table 2.1. Corporate Income Tax (CIT) collection from the Top 100 enterprises, by sector (trillion MNT).....	30
Table 2.2. Utilization of External loan (billion MNT)	35
Table 3.1. Financial sector vulnerability	46
Table 1. Selected economic indicators	65
Table 2. Real sector	66
Table 3. General government accounts.....	67
Table 4. General government accounts (in percent of GDP).....	68
Table 5. Balance of payments.....	69
Table 6. Balance of payments (in percent of GDP)	70
Table 7. Monetary sector	71
Box 1. Consumer confidence index.....	Error! Bookmark not defined.

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

Economic growth remained broadly at the level recorded in the same period of the previous year. Nominal GDP reached MNT 60.1 trillion, increasing by 8.5 percent year-on-year, while real GDP reached MNT 24.3 trillion, growing by 5.9 percent compared to the same period last year. Sustained growth in agriculture, construction, and manufacturing, together with the recovery in the mining sector, supported economic growth, whereas the transportation and trade sectors weighed on growth momentum.

The mining sector rebounded sharply from previous quarters, recording 8.2 percent growth in the third quarter and contributing 1.1 percentage points to overall economic growth. Growth was mainly supported by increased production of copper concentrate, iron ore, fluor spar, and zinc concentrate, while gold, coal, and crude oil production limited growth. Favorable spring conditions and normal livestock breeding and survival rates contributed to the recovery of livestock activities during the first three quarters of the year, leading the agriculture sector to grow by 33.8 percent and contribute 3.4 percentage points to economic growth. In addition, the construction sector expanded by 22.2 percent during the first three quarters of the year, mainly driven by the construction of residential buildings, hospitals, schools, and kindergartens in Ulaanbaatar, as well as the Bagakhangai–Khushig Valley railway project. Furthermore, growth in construction and major repair works increased the production of non-metallic mineral products, while higher agricultural output boosted food production, supporting the recovery in the manufacturing sector and overall economic growth.

Meanwhile, the transportation sector continued to constrain growth, mainly due to lower revenues from coal transportation by road. As a result, the sector contracted by 6.1 percent. Reduced hauling distances for coal exports lowered fuel consumption in the road transportation sector, while weaker automobile imports reduced fuel sales in the wholesale and retail trade sector, causing the trade sector to contract by 5.1 percent in the third quarter.

From the demand side, investment growth and expanding household consumption supported economic growth, while declining exports weighed on growth. An increase in employment and a decline in unemployment raised the employment rate by 0.5 percentage points from the same period of the previous year to 59.1 percent, contributing to higher nominal household income and supporting household consumption. However, growth in real household income slowed due to rising prices. Growth in gross capital formation was mainly driven by a decline in abnormal livestock losses compared to the previous year, which increased biological asset inventories by MNT 1.1 trillion. In addition, higher inventories of residential and other buildings supported capital accumulation. Real growth in imports of goods and services, which had consistently exceeded 20 percent over the previous two years, slowed to 1.5 percent, while exports of goods and services declined by 4.5 percent, weighing on economic growth.

Although import growth slowed, declining exports led to a widening current account deficit. Imports decreased by 0.9 percent during the first three quarters of 2025 compared to the same period of the previous year, particularly due to lower imports of industrial inputs and investment goods that support economic activity and production. Meanwhile, export revenues declined by 16 percent year-on-year. Increased coking coal production in China, along with weaker demand from major steel producers, negatively affected Mongolia's coal export volumes. In addition, heightened external uncertainty and declining global coal prices were the main factors behind the fall in export revenues. Although imports of goods and services contracted and the deficit in the primary income account, including wages, investment income, and dividends, narrowed compared to the

previous year, lower goods exports widened the current account deficit to USD 1.7 billion, resulting in an overall balance of payments deficit of USD 450 million.

Fiscal revenue collection slowed due to declining coal prices and lower export revenues. The consolidated budget's equilibrated revenue fell to MNT 20.7 trillion in the third quarter of 2025, decreasing by MNT 0.7 trillion, or 3.1 percent, compared to the same period of the previous year, mainly due to weaker budget revenues from the mining sector associated with lower coal prices. Although equilibrated revenue had been projected to reach MNT 21.9 trillion, actual revenue was MNT 1.2 trillion, or 5.6 percent, below the plan. As a result, the consolidated budget posted an equilibrated deficit of MNT 1.3 trillion. On the expenditure side, total budget expenditure reached MNT 22.1 trillion, increasing by 11.2 percent year-on-year. This expansion was mainly driven by higher current expenditures, particularly increases in public sector wages and pensions financed through the social insurance fund.

Inflation accelerated to 9.0 percent by the end of the third quarter of 2025. Rising food prices were the main contributor to the recent acceleration in inflation. While demand-driven inflation showed signs of gradually easing, supply-side inflation increased due to higher prices of food products, particularly meat and vegetables. Meanwhile, inflation for non-food goods and services showed a gradual moderation trend. The central bank maintained the policy interest rate at 12 percent throughout the third quarter of 2025.

Credit growth continued to moderate gradually. Annual growth in commercial bank lending slowed further to 22.1 percent in the third quarter of 2025. Newly issued loans were mainly driven by business lending, while the growth of consumer loans declined. Money supply growth accelerated compared to the previous quarter, reaching 5.6 percent, mainly supported by domestic credit expansion. In addition, the banking sector's non-performing loans increased by 12 percent compared to the same period of the previous year. Total deposit growth reached 14.7 percent in the third quarter of 2025, with the majority of the increase coming from household deposits denominated in domestic currency.

NEAR-TERM OUTLOOK

Global uncertainty is expected to remain elevated going forward. The global uncertainty index has reached historically high levels, and the potential expansion of trade wars is increasing the risk of weaker global economic activity and higher inflationary pressures. In addition, risks stemming from the downturn in China's real estate sector, the Russia–Ukraine war, and instability in the Middle East could further weaken the global economic outlook through heightened economic and geopolitical uncertainty.

Copper and gold prices are expected to remain elevated, while coal and iron ore prices are unlikely to recover strongly in the near term. Rising global uncertainty and increased gold purchases by central banks have boosted demand for safe-haven assets, driving gold prices higher. At the same time, demand for copper is expected to increase due to the rapid expansion of electric vehicles, renewable energy, data processing centers, and the technology sector, with the average copper price projected to reach around USD 9,200 in 2025. In contrast, coal prices declined by 41 percent to around USD 66 in the first half of 2025, mainly due to trade tensions and the downturn in China's real estate sector. International analysts expect coal prices to recover only gradually, with the average coal price projected to remain around USD 70 in 2025.

Economic growth is projected to reach around 6.5 percent in 2025. Sectoral developments suggest

that the recovery in agriculture and manufacturing, together with stable activity in the service sector, will continue to support growth. In particular, higher copper and gold content in Oyu Tolgoi concentrate production is expected to support growth amid strong global demand for these commodities. From the demand side, investment and household consumption are expected to remain the main drivers of economic growth. In addition, higher breeding livestock numbers and improved offspring survival rates in the livestock sector are expected to increase gross capital formation and positively contribute to the economy.

The pace of growth in labor market indicators is expected to moderate. Employment is projected to increase in 2025, supported by labor demand conditions. This growth is expected to be driven mainly by the recovery in the agriculture sector, which employs roughly one in every four workers, thereby supporting overall employment growth.

Inflation is projected to remain near the upper bound of the central bank's target range by the end of 2025. While higher electricity tariffs, elevated demand-driven inflation, and strong food inflation have contributed to upward pressure on domestic goods and service prices, inflationary pressures are expected to gradually ease and stabilize toward the end of 2025. Nevertheless, risks to inflation remain, particularly from geopolitical instability, climate change, and transportation and logistics disruptions.

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

The economy grew by 5.9 percent during the first three quarters of the year. Agricultural production continued to be the main driver of economic growth, while increased activity in the mining, construction, and manufacturing sectors also supported growth. In contrast, the transportation and trade sectors contracted. From the demand side, investment and household consumption supported economic growth, while declining goods exports weighed on growth. The labor force participation rate reached 62.7 percent, and real household income increased by 8 percent, supporting household consumption. Potential growth momentum strengthened to around 5–6 percent, while overall output remained close to its potential level.

1.1. Aggregate supply

1. Economic growth reached 5.9%. Nominal GDP increased by 8.5 percent year-on-year, reaching MNT 60 trillion in the first three quarters of 2025, while real GDP growth reached 5.9 percent. Economic growth remained around the level of the same period last year and was in line with expectations. The recovery in the agriculture and mining sectors supported overall growth, while contractions in the transportation and trade sectors slowed it down. The economic growth forecast for 2025 has been revised upward from 5.5 percent to 6.5 percent.

2. Growth in the mining sector accelerated to 8.2 percent, contributing 1.1 percentage points to overall economic growth. In the third quarter of 2025, the mining sector recovered, contributing 1.1 percentage points to overall growth. Driven by the Oyu Tolgoi mine, copper concentrate production rose by 53.7 percent. Meanwhile, iron ore production growth was sustained, reaching 6.5 million tons—an increase of 41.5 percent compared to the same period of the previous year. In contrast, coal production declined to 68.9 million tons in the first three quarters of 2025, down 7.5 percent year-on-year. In addition, crude oil production decreased for seven consecutive quarters to 2.8 million tons, while gold production declined for eleven consecutive quarters to 8.7 tons, thereby weighing down overall mining sector growth.

In relation to the mining sector, Government Resolution No. 55 dated August 20, 2025 stipulates that if a mineral-exporting enterprise trades one-quarter or more of its exported product through the Mining Products Exchange, the sales value used to calculate the mineral resource royalty for the entire exported volume of that product shall be based on the trading price at the Mining Products Exchange (the Mongolian Stock Exchange). Accordingly, the royalty is assessed using this exchange price. This decision was approved to remain in effect until the end of 2025 and was

significant in boosting mining sector revenues in the short term.

3. The non-mining sector grew by 5.6 percent, contributing 4.9 percentage points to overall economic growth. Growth in the agricultural sector was sustained, while expansion in the construction, manufacturing, and energy sectors accelerated. Although growth in the service sectors has been gradually slowing, the transportation and trade sectors remain in contraction.

4. Agricultural sector growth remained broadly in line with projections. The number of livestock raised reached 21.1 million (livestock production 98.5 percent), an increase of 5.6 million heads from the same period last year, and the number of large livestock culls decreased by 7.9 million heads from the same period last year to 199 thousand, thus maintaining the growth momentum of the livestock sector, which accounts for about 90 percent of the agricultural sector, at the same level as the previous quarter. In the agricultural sector, due to low rainfall in the main agricultural regions in the first half of the year, the total harvested grain decreased by 149.7 thousand tons, potatoes by 133.6 thousand tons, vegetables by 15.2 thousand tons, and fodder by 22.4 thousand tons compared to the previous year, respectively. The growth rate of the agricultural sector slowed down from the previous quarter, and in the first 3 quarters of 2025, the agricultural sector grew by 33.8 percent, accounting for 3.4 percentage points of total growth.

The government has made the following major decisions in the agricultural sector. These include:

- Within the framework of the goal of creating a perfect combination of agriculture and livestock farming and developing food and agriculture as the main economic sectors, the Government of Mongolia, by Resolution No. 47 of 2025, decided to launch the “Atar-4 Sustainable Agricultural

Development Campaign” for a period of 4 years starting from February 1, 2025. In line with this, a total of 71.2 thousand hectares of agricultural land were transferred to agricultural land by Government Resolution No. 166 of 2025. These include:

- 1137.8 ha in Orkhon soum of Darkhan-Uul aimag, 2937.07 ha and 895 ha in Khongor soum,
- 524 ha in Saikhan-Ovoo soum of Dundgovi aimag,
- 497.1 ha in Bayandun soum of Dornod aimag, 15000 ha in Matad soum, 1500 ha in Bulgan soum, 3000 ha in Bayantumen soum, 30000 ha in Khalkhgol soum, 4000 ha in Chuluunkhoroot soum,
- 651.16 ha in Mungunmort soum of Tuv aimag, 957.84 ha in Bayandelger soum,
- 72.8 ha in Bayan-Adarga soum of Khentii aimag, 431 ha in Bayan-Ovoo soum, 577.4 ha in Binder soum, and Bayanhutag soum 1049 ha,
- 600 ha, 4655.16 ha and 2749.69 ha in Sumber soum of Govisumber aimag.

The implementation of the Atar-4 campaign is expected to lay the foundation for the transition of the agricultural sector to an intensive and productive form by increasing irrigated agriculture, expanding the capacity of winter greenhouses and storage facilities, and establishing a feed production base to support intensive livestock farming. The campaign is key to ensuring medium-term sustainable growth in the agricultural sector.

The government’s Resolution No. 380 of 2022 “On Approval of Technical Regulations” decided to ban the export of washed goat cashmere starting from January 1, 2023. Due to the risk of livestock losses reaching 4.9 million heads in 2023 and a decrease in herders' income, the ban on washed cashmere exports was temporarily suspended until July 2025 under a decision made in February 2023. The price

of cashmere increased by 11.2 thousand tugriks from the same period of the previous year to 119,200 tugriks in the spring of 2023, thereby protecting herders' income. However, in order to support the effective organization of the “White Gold” movement approved by the State Great Khural Resolution of 2024 “On Some Measures to Support the Processing of Animal Raw Materials”, the Government of Mongolia amended Resolution No. 380 of 2025 and decided to ban the export of washed cashmere starting from February 1, 2025. Mongolia's raw cashmere output in 2025 is about 8 thousand tons, and due to the ban on the export of washed cashmere, the Ministry of Food, Agriculture and Light Industry has determined the requirement to prepare 5,600 tons of raw cashmere in 2025 within the framework of the goal of not reducing the income of herders and ensuring the smooth production of combing factories. As part of the “White Gold” movement, as of April 2025, 30 enterprises engaged in cashmere preparation activities received working capital loans of 230 billion tugriks and prepared a total of 1,525 tons of cashmere. However, to put the remaining 4,075 tons of cashmere that needed to be prepared into market circulation, the government issued a promissory note as an additional financing product and provided financial support from the state. As a result, 4,020 tons of cashmere were combed in 2025, reaching a historical high. On the one hand, supporting the production of combed cashmere by banning the export of washed cashmere has the effect of supporting value-added export products, but on the other hand, the dependence of processing factories on government financial support may pose risks to herders’ income in the longer term. Therefore, in the cashmere market, it is necessary to determine the expiration date of government financial support in the medium term and strengthen market capacity by supporting a competitive environment.

5. The growth of the industrial sector has intensified. The growth of the manufacturing sector has intensified, growing by 7.7 percent in the first

three quarters of 2025. Of these, the growth of the chemical and chemical product industry and the manufacturing of non-metallic mineral products continued to support the growth of the manufacturing sector.

The growth of the energy sector has remained stable. The electricity, gas, steam, and air conditioning sector expanded by 8.4 percent in the first three quarters of 2025, supporting economic growth by 0.2 percent. This was mainly due to the growth of production at newly commissioned thermal power plants such as Toson and Booroljut. For example, electricity production reached 6.2 billion kWh, up 9.6 percent from the same period of the previous year, and thermal energy production reached 10.8 million Gcal, up 7.2 percent, maintaining stable growth in energy production.

The growth of the construction sector was supported by the construction of hospitals, schools, kindergartens and facilities in Ulaanbaatar, the construction of the Bagahangai-Khushgiin Valley railway, the 70MW thermal power plant in Selenge aimag, and the construction of the Dornod aimag highway, leading to a 22.2 percent increase in the construction sector.

The government has made the following decisions to intensify construction and development work. These include,

- Resolution No. 27 of 2025 of the Government of Mongolia on the appointment of a Special Envoy to intensify the implementation of 14 mega projects and 149 projects to accelerate sustainable development included in the long-term development policy of Mongolia "Vision-2050" and the Action Program of the Government of Mongolia for 2024-2028.

- In addition, the Government Resolution No. 28 of 2025 decided to establish working groups to intensify development projects, such as negotiating with the investor on the tax dispute with the Oyu Tolgoi project and determining the boundaries of

the area owned by "Antre Gold" LLC, studying and developing proposals for the implementation of the production sharing agreements signed with "Petrochina Dachin Tamsag" LLC, intensifying the implementation of the "Oil Refinery Construction Project" and putting it into operation on schedule, approving the development plan for the "Industrial Technology Park" in the Darkhan and Seleng regions and the technical and economic feasibility study for the project to establish a steel production complex, and selecting investors.

6. Growth in the services sector remained modest at 1.3 percent during the first three quarters of 2025, broadly unchanged from the previous quarter. Road transportation revenue, which accounts for around 65 percent of total freight turnover and approximately 50 percent of transportation sector revenue, declined by 24.2 percent year-on-year to MNT 3.9 trillion. As a result, the transportation sector contracted by 6.1 percent, weighing on growth in the services sector. The decline in road transportation revenue was mainly driven by shorter transport distances for export coal shipments.

Two major policy decisions related to the transport sector were adopted in 2025. First, Parliament approved the Law on Supporting the Supply and Distribution of Strategically Important Products, effective until 2030, with the aim of ensuring stable fuel supply by supporting petroleum importers in building strategic reserves. The law defines petroleum products and all types of fuel, excluding kerosene and by-products, as strategically important goods. Under the law, the government is authorized to intervene in fuel distribution and supply if foreign fuel deliveries decline by 50 percent or more, including through inventory allocation, distribution controls, utilization of state reserves, and issuance of guarantees. In addition, the Bank of Mongolia is authorized to provide financing for fuel imports, storage facilities, and related infrastructure through repo financing arrangements or foreign financing sources. As a

result, Mongolia would be able to establish fuel reserves equivalent to one month of domestic consumption, including storage facilities with a capacity of 200 thousand tons.

However, providing concessional financing and allowing state intervention in determining the volume of fuel sold in the market could distort market operations. In addition, financing loans to gold mining companies through the Bank of Mongolia could increase money supply through non-market mechanisms and create additional inflationary pressure. Therefore, gradual liberalization of fuel prices and expansion of border infrastructure capacity are considered more appropriate long-term measures to stabilize fuel supply and encourage fair market competition.

Second, amendments were introduced to the regulation governing fees charged to vehicles transporting mining products and fuel on international and state roads. Under Government Resolution No. 77 of September 2, 2025, temporary changes were introduced to stabilize fuel supply in the western region following geopolitical tensions and restrictions imposed by Russia on AI-92 gasoline exports. The amendments allowed fuel transport vehicles with up to six axles carrying 11 tons per axle to transport up to 66 tons in total, exceeding the standard allowable weight of 44 tons by 22 tons. In addition, mining product transport vehicles were permitted to operate on public roads upon payment of a MNT 150 thousand fee, with fuel transport vehicles charged MNT 150 thousand per 100 kilometers.

Although the measure aimed to stabilize fuel supply, it also created environmental and market risks, including road damage, dust pollution, pasture degradation caused by overloaded vehicles creating multiple informal roads, and market distortions disadvantaging companies that had previously complied with standard transportation regulations. In response, businesses organized peaceful protests on September 22, 2025 and held discussions with the Ministry of Roads and

Transport and the Cabinet Secretariat. As a result, concerns were raised that the regulation could encourage excessive overloading by other freight transport vehicles and weaken enforcement of road weight standards. Consequently, the relevant provisions of Resolution No. 77 were repealed and amended through Government Resolution No. 128 of October 8, 2025, restoring standard transport weight limits.

Despite the reinstatement of standard regulations, the need to stabilize fuel supply in the western region remains, and private sector operators continue requesting permission for overweight transportation. In addition, implementation of the regulation requiring fees from vehicles transporting mining products began on October 1, 2025, generating MNT 1.0 billion in revenue for the state budget and road fund as of December 1, 2025.

7. The wholesale and retail trade sector contracted by 5.1 percent during the first three quarters of 2025, reducing overall economic growth by 0.6 percentage points. Growth in nominal sales revenue in the trade sector slowed to 0.6 percent. This was mainly driven by the contraction in non-food product trade, which accounts for around 78 percent of the sector, as well as the high base effect from the previous year.

A more detailed breakdown indicates that the slowdown in sectoral growth was mainly due to declines in wholesale trade of agricultural raw materials and livestock by 62.4 percent, wholesale trade of machinery and equipment by 10.3 percent, retail fuel sales by 1.7 percent, and wholesale trade of solid, liquid, and gaseous fuels by 4.4 percent.

The Purchasing Managers' Index (PMI), which reflects the economic expectations of domestic traders, stood at 45.4 in the third quarter of 2025. This represented a slight improvement of 0.1 points from the previous quarter but remained 5.3 points lower than the same period of the previous year.

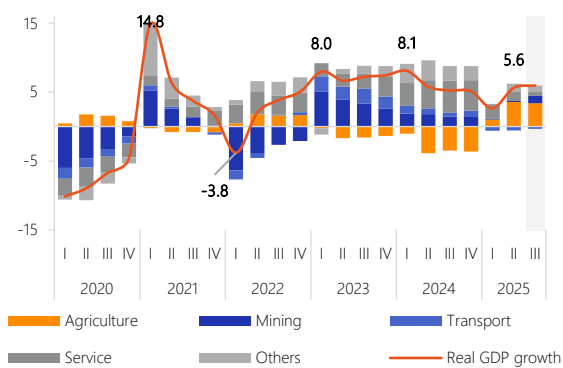
Meanwhile, the information and communications sector grew by 10.0 percent, while other service sectors expanded by 4.2 percent.

8. Lower net taxes on products weighed down economic growth. In the first quarter of 2025, net taxes on products fell by 2.3 percent in real terms, reducing growth by 0.4 percentage points.

Although VAT revenue from domestic goods and services, as well as imports, increased by 5 percent and 8 percent, respectively, VAT refunds more than doubled, increasing by 2.1 times. This significant increase in VAT repayment outweighed the gains in gross VAT revenue, leading to an overall decline in net tax revenue and contributing to weaker economic growth.

Figure 1.1. Real GDP growth

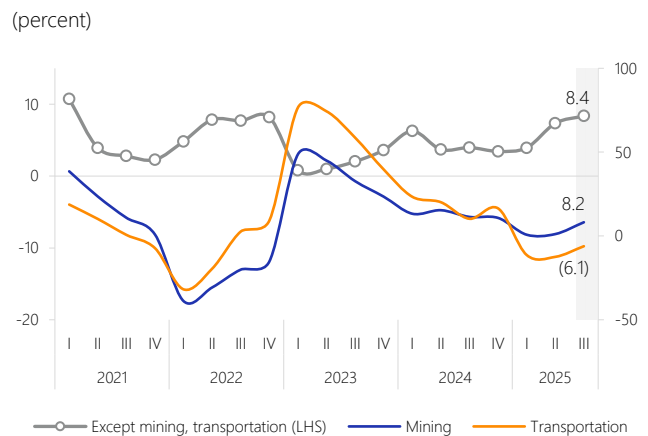
1. Real GDP growth contribution (percentage points)



Source: NSO

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

2. The mining sector growth (percent)

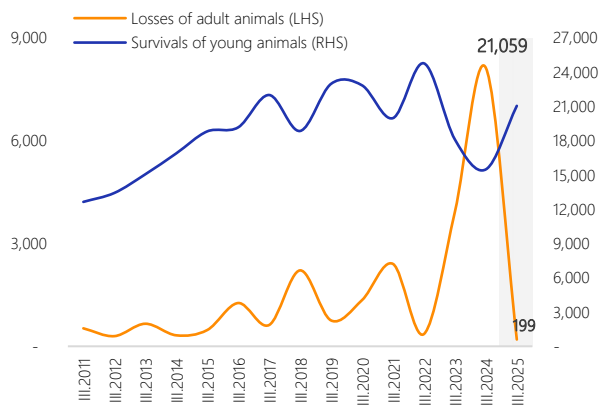


Source: NSO

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

3. Agriculture

(thousand heads)

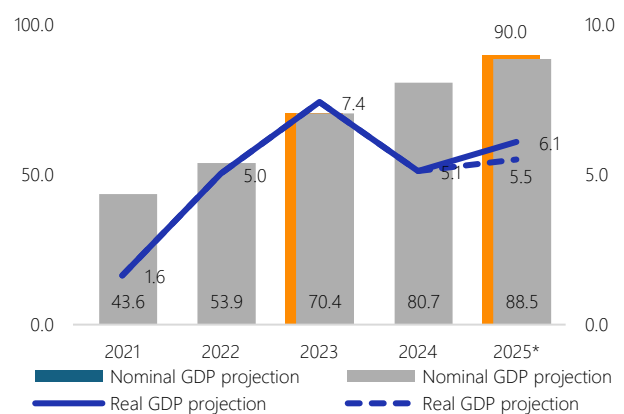


Source: NSO

Note: Shows the survival of young animals and losses of adult animals.

4. Real GDP growth, nominal GDP

(percent, trillion MNT)



Source: MED estimates, NSO

Box 1. Sustainable infrastructure

Infrastructure development, which forms the core of Mongolia's development policy, serves as a fundamental pillar of the country's economic and social development, particularly given its vast territory and vulnerability to climate change risks. Despite ongoing progress, significant structural and institutional challenges remain across different stages of the infrastructure lifecycle. In particular:

- Project planning, design, and evaluation are often conducted without detailed feasibility studies and technical assessments;
- Maintenance and repair activities remain irregular due to limited budgetary resources;
- Procurement processes are often delayed, inconsistent, and inefficient, slowing project implementation;
- Annual budget amendments and revisions disrupt and delay the implementation of projects financed through the state budget;
- Climate and environmental conditions place additional pressure on aging and deteriorating infrastructure facilities.

This baseline study examines how these conditions constrain the infrastructure sector's capacity to support Mongolia's development objectives, including economic diversification, regional development, climate resilience, and social inclusiveness.

1. Infrastructure sector needs:

Transport sector:

The transport sector clearly illustrates both the scale and persistence of Mongolia's infrastructure gap. **Mongolia's national road network** extends approximately **45,000 km**, of which more than **14,000 km** are paved roads. However, many rural roads connecting aimags and soums remain inaccessible throughout all four seasons, while harsh climatic conditions continue to accelerate road deterioration. Maintenance frequency and asset management systems also face institutional and financing constraints. In addition, insufficient multimodal transport connectivity at border ports negatively affects the efficiency and reliability of freight transportation.

Given the frequent occurrence of flooding and road damage caused by extreme heat, severe cold, soil freezing, and thawing, investment in these priority areas could generate positive impacts on both economic performance and climate resilience.

Seasonal conditions continue to significantly affect the expansion and modernization of infrastructure networks. During winter, mobility becomes restricted across most regions, often halting construction activities. In spring, flooding increasingly damages low-lying transport corridors and road surfaces, while sharp temperature fluctuations contribute to pavement cracking and declining road quality. These factors increase overall lifecycle costs and highlight the need to incorporate future maintenance and repair requirements into project planning and feasibility studies.

Energy sector:

Mongolia's energy sector continues to face significant structural challenges stemming from aging infrastructure and heavy dependence on coal.

- More than **90 percent of electricity** and heat generation is **supplied by coal-fired** combined heat and power plants;
- **Renewable energy** accounts for only **9.41 percent** of total domestic energy generation;
- **High energy losses** are primarily associated with aging and inefficient power generation and transmission infrastructure;
- Winter and peak-load shortages are increasingly being covered through imported electricity, which currently accounts for **24.6 percent** of total electricity consumption;
- Most existing combined heat and power plants have exceeded their originally planned operational lifespan.

At the same time, Mongolia possesses substantial renewable energy potential:

- **Wind energy:** estimated potential of **1.1 TW**, with the capacity to generate approximately **2,550 TWh** of electricity annually;
- **Solar energy:** estimated annual potential of **4,774 TWh**, with 270–300 sunny days per year, solar radiation of approximately **1,400 kWh/m²**, and daily solar intensity of **4.3–4.7 kWh/m²**.

Seasonal conditions continue to directly affect energy system reliability. Peak winter heating demand places considerable pressure on the grid, while temperature fluctuations increase energy losses across aging infrastructure. Extreme weather events and flooding also create additional risks for substations and distribution networks.

These conditions highlight the need to prioritize investment in upgrading electricity transmission and distribution infrastructure, reducing system losses, and strengthening the reliability of energy services across the sector.

The table below presents a detailed breakdown of Mongolia’s electricity generation by source during 2020–2024.

Electricity generation by source	2020	2021	2022	2023	2024 (GWh/%)	
Combined heat and power plants	6493.6	7109.6	7428.5	7755.2	7930.6	90.59
Diesel power plants	2.7	1.1	1.2	0.5	0.1	0.00
Renewable energy	649.4	803	748.9	772.6	823.9	9.41
Solar power plants	108.9	156.9	178.7	193	232.3	2.65
Hydropower plants	83.3	83.1	61.7	48.1	74.1	0.85
Wind power plants	457.2	563	508.5	531.5	517.5	5.91
Total	7145.7	7913.7	8178.6	8528.3	8754.7	100.00

2. Defining sustainable infrastructure

Infrastructure investments are of critical importance to socioeconomic development due to their long operational lifespan (25–50 years), high upfront investment costs, and role in delivering essential public services. Studies indicate that infrastructure sectors account for more than 60 percent of global greenhouse gas emissions. Therefore, ensuring that infrastructure systems are inclusive, climate-resilient, adaptive, and economically efficient has become increasingly important. Over the past decade, sustainable infrastructure has gained increasing international attention, alongside growing capital flows toward sustainable infrastructure investments. International practice generally defines sustainable infrastructure across four key dimensions:

- Economic efficiency and financial sustainability;
- Environmental sustainability and climate resilience;
- Social inclusiveness;
- Governance quality.

In Mongolia, the current regulatory framework and methodologies partially incorporate these sustainability dimensions, primarily through environmental protection requirements and financial oversight mechanisms. However, challenges remain in comprehensively integrating these dimensions during the early stages of project preparation and development. Insufficient consideration of these factors in project identification, guideline development, feasibility studies, project appraisal, and selection processes has frequently resulted in implementation-related challenges.

In particular, integrating environmental protection measures, especially climate risk assessments, together with considerations related to affected settlements and local communities, economic development objectives, and broader social needs under standardized and comprehensive approaches during the early stages of project preparation can improve project implementation outcomes. Such approaches also create opportunities to compare, evaluate, and prioritize projects more effectively.

3. Climate and environmental performance

Climate-related risks are increasingly affecting all types of infrastructure projects. In particular:

- Floods, droughts, dzuds, and sharp temperature fluctuations significantly affect service continuity;
- Comprehensive climate risk assessments are rarely incorporated into feasibility studies;
- Climate resilience indicators are not consistently integrated into Environmental Impact Assessment (EIA) documentation.

Transport	Energy	Water and sanitation	Urban infrastructure	Urban infrastructure	
Extreme winter conditions (dzud)	Extreme heat and high temperatures	Flooding and intense rainfall	Windstorms and dust storms	Permafrost thawing	Drought and water scarcity
Disrupts transport, energy supply, and rural infrastructure connectivity	Deteriorates asphalt and cement materials	Major cause of road and bridge damage	Causes foundation settlement, cracking, and structural deformation	Affects water supply systems	Affects water supply systems

	Reduces electricity generation efficiency	Flooding of substations and infrastructure facilities	Damage to pipelines, heating networks, railways, and roads	Limits water cooling for industries and power plants	Limits water cooling for industries and power plants
	Affects worker safety and construction schedules	Damage to urban wastewater treatment networks	Damage to water supply infrastructure		Intensifies competition over water resources

Although the NDC 3.0 and the National Adaptation Plan have established ambitious targets, these objectives have not yet been fully integrated into feasibility studies and project appraisal frameworks. The quality of baseline environmental data also remains uneven, while practices for assessing the cumulative impacts of road corridors, mining operations, and urban expansion remain insufficient.

Climate-related risks are projected to intensify across key socioeconomic sectors by 2050.

4. Biodiversity

Ecosystem degradation in Mongolia is expected to intensify further. The National Biodiversity Strategy and Action Plan emphasizes the integration of ecological data during the early stages of project development. However, current practice often incorporates biodiversity considerations only at later stages of project planning and design. Wildlife migration routes and habitat characteristics are also not consistently reflected in the engineering design and planning of roads and infrastructure networks.

5. Conclusion

Mongolia has established the fundamental conditions necessary for developing an efficient public investment system. This is reflected in the existence of legally defined development planning stages, links with the budget framework and other planning and oversight mechanisms, as well as the clearly defined mandates of the Ministry of Economy and Development, the Ministry of Finance, the Ministry of Environment and Climate Change, and the Authority for Government Supervision.

At the same time, this baseline study identified several recurring challenges across national, sectoral, and cross-sectoral levels. For Mongolia, the key challenge is not necessarily the scale of investment itself, but rather the quality of decision-making throughout the stages of project preparation, appraisal, selection, and implementation.

The strategy identifies the following four key areas of impact:

- **Institutional coordination:** Strengthening coordination among the Ministry of Economy and Development, the Ministry of Finance, the Ministry of Environment and Climate Change, and the Authority for Government Supervision, while clarifying how these institutions can operate in an integrated manner under a unified annual investment policy framework.
- **Operational procedures and tools:** Introducing sustainability criteria into project selection, feasibility study, and appraisal frameworks, and incorporating climate risk assessments during the early stages of project development.
- **Financial alignment:** Linking sustainability-based appraisal mechanisms with the Medium-Term Fiscal Framework.
- **Capacity and data:** Strengthening capacities for climate risk analysis, project prioritization, and digital monitoring systems.

These changes would support the transition from the current fragmented system toward a more integrated investment framework aligned with national development priorities and climate objectives.

1.2. Aggregate demand

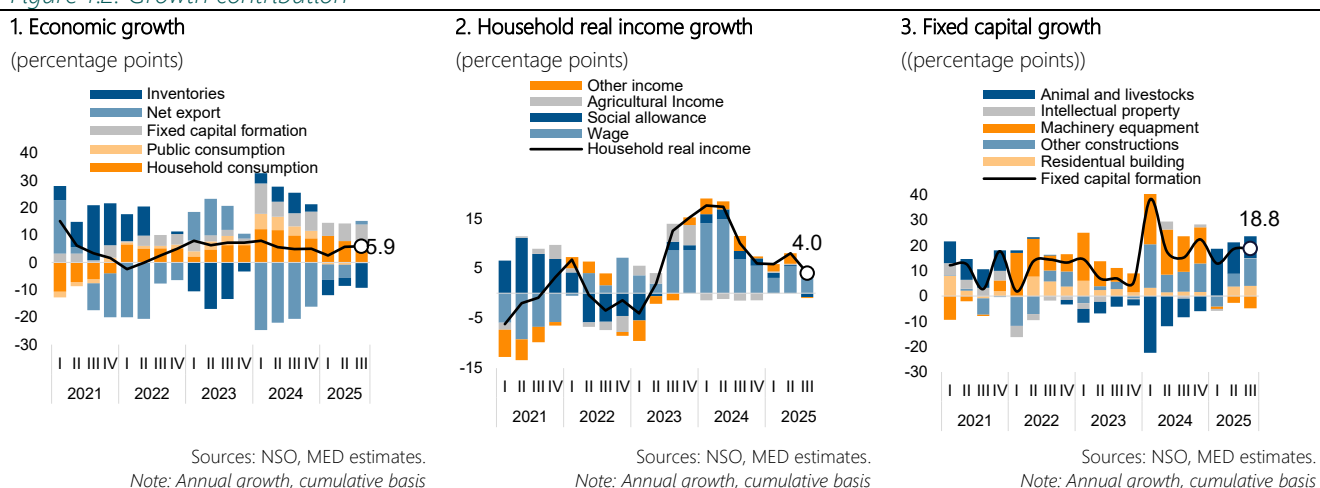
9. Household consumption and net exports supported overall growth. Measured by the expenditure approach, Gross Domestic Product (GDP) increased by 5.9% during the first three quarters of 2025. Household consumption rose by 9.7%, contributing 7.4 percentage points to overall growth. In addition, driven by intensified construction and infrastructure development activities, gross fixed capital formation expanded by 18.8%, adding 6.5 percentage points to total growth. While net exports had exerted a dampening effect on economic growth during the first half of the year, they improved by 33% in the third quarter, ultimately supporting overall growth by 1.3 percentage points on a cumulative basis since the beginning of the year. Conversely, inventories (changes in stocks) declined sharply by 84.8%, reducing growth by 9.1 percentage points, while government consumption contracted by 1%, lowering growth by an additional 0.2 percentage points.

10. Household consumption maintained its growth momentum. Household consumption remained stronger than expected and sustained the growth recorded in the previous quarter, expanding by 9.7% during the first three quarters of 2025. Within this, food consumption increased by 5.8%, while spending on non-food goods and services grew by 11.7%, although this represented a

13.5 percentage point slowdown compared with the same period of the previous year, indicating a moderation in growth. Expenditures on transport vehicles and related maintenance services, housing and utilities, meat and meat products, education services, and dairy products recorded the largest increases. In contrast, spending on clothing and footwear, recreation and travel, and alcoholic beverages saw the most significant declines. This suggests that although household consumption continues to grow, the increase is being driven largely by rising prices, while households may be cutting back on non-essential spending in response to cost pressures.

11. Growth in real household income slowed to 4.0%. Annual growth in real household income moderated to 4.0%, declining by 0.6 percentage points from the previous quarter, indicating a slowdown in income growth. Employment increased marginally by 0.1 percentage points compared to the previous quarter, while nominal household wage income rose by MNT 251.8 thousand. Wage income continued to be the primary driver of growth in real household income, contributing 4.4 percentage points to overall growth. Although pension and social benefit income increased by MNT 30.7 thousand in nominal terms, it reduced real income growth by 0.7 percentage points in real terms, reflecting the

Figure 1.2. Growth contribution



impact of inflation. Meanwhile, nominal household income reached MNT 2,972 thousand, increasing by MNT 354.3 thousand year-on-year and by MNT 20.2 thousand compared with the previous quarter.

12. Household income growth in rural areas remains limited. Approximately 52% of all households reside in rural areas and provincial regions. As of the third quarter of 2025, 28.8% of households in Mongolia—equivalent to 287,000 households—were living on incomes below MNT 1.6 million. According to the National Statistics Office’s 2022 Poverty Report, out of 270,000 households living in poverty nationwide, 185,000 are located in rural areas. Although policies aimed at increasing herders’ incomes and improving livelihoods in provincial and soum centers are being implemented, the income gap between households in Ulaanbaatar and rural areas widened by 4.5% in the third quarter of 2025. For example, the difference in average nominal household income between households in Ulaanbaatar and rural areas increased from MNT 896 thousand in the third quarter of the previous year to MNT 936 thousand this year. As a result, the narrowing income gap observed in the previous quarter came to a halt, with disparities widening once again during the current quarter.

13. Gross fixed capital formation continues to grow steadily, while inventories continue to decline. Capital formation reflects changes in both fixed and working capital, including newly added and depleted assets within the economy during the reporting period. During the first three quarters of 2025, gross fixed capital formation increased by 18.8%, while inventories declined sharply by 84.8%, resulting in an overall 5.8% contraction in total capital formation. Growth in fixed capital formation was primarily driven by a 30.1% real increase in non-residential buildings and structures and a 22.8% rise in residential construction. In addition, the

stabilization of the agricultural sector contributed positively, as cultivated biological assets—which had declined in the previous year—returned to growth, further supporting capital accumulation. However, due to weaker profitability in the mining sector, the stock of machinery and equipment declined by 9.7% compared to the same period last year. Meanwhile, the value of inventories of goods, materials, and work-in-progress, which amounted to MNT 2.4 trillion in nominal terms during the first three quarters of the previous year, declined significantly to MNT 367.4 billion during the same period this year. This decline was mainly driven by a reduction in the valuation of coal stockpiles due to falling coal prices, as well as slower trade and service sector activity, which reduced procurement volumes. At the same time, foreign direct investment (FDI) inflows decreased by 30.3% year-on-year, while public investment increased by 3.9% and loan disbursements rose by 16.8%. Nevertheless, the overall growth in sources of investment financing has continued to slow.

14. Service exports increased while goods imports declined, thereby easing the negative impact of net exports on economic growth. Net exports are defined as the difference between revenues from exports of goods and services and expenditures on imports of goods and services. In real terms, goods exports declined by 3.1% in the first three quarters of 2025, while service exports increased by 27.6%, resulting in a 2.4% increase in total exports of goods and services. At the same time, goods imports fell by 0.8% year-on-year, leading to a slowdown in the overall real growth of imports of goods and services to 0.3%. As a result, the previously negative contribution of net exports to economic growth came to a halt, and net exports instead made a positive contribution of 1.3 percentage points to overall GDP growth.

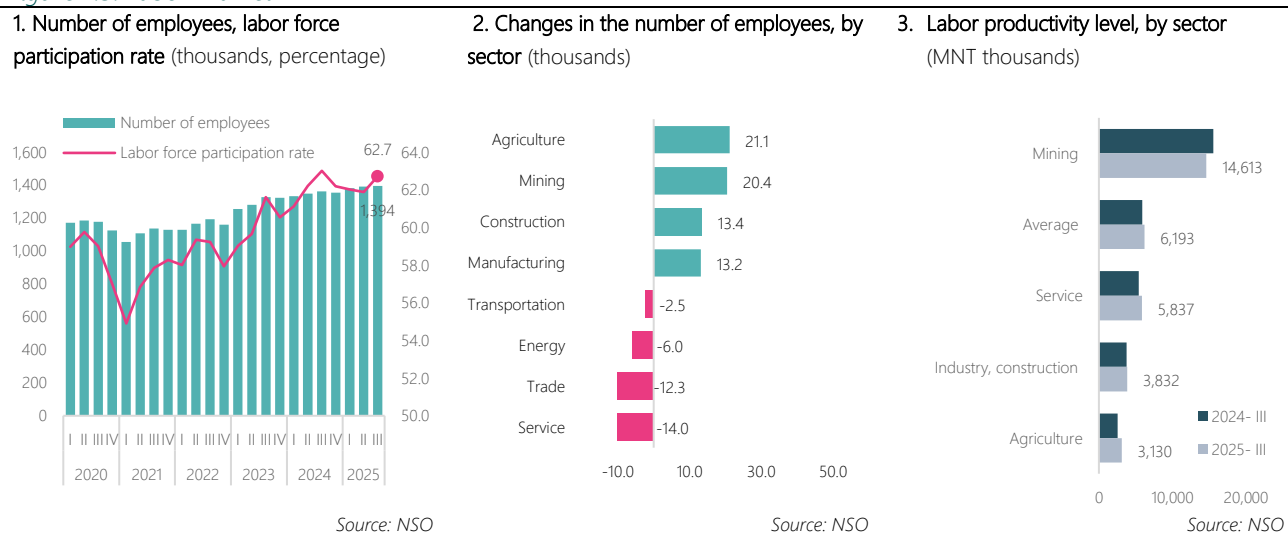
1.3. Labor Market and Enterprises

15. Growth in the agricultural and mining sector supported the increase in total employment. In the third quarter of 2025, the number of employees increased by 33 thousand from the same period of the previous year, reaching 1 million 394 thousand. This increase is largely explained by sectoral employment growth. In particular, sustained expansion in the agricultural sector led to an increase of 21 thousand workers compared to the same period of the previous year, while employment in the mining sector rose by 20 thousand, reaching a historical high of 96 thousand. These developments have been the main drivers behind the overall growth in total employment. Additionally, employment in both the construction and manufacturing sectors increased by 13 thousand each, contributing to the overall growth. Due to the decline in the transportation sector, employees decreased by 3 thousand people, or 3 percent, compared to the same period last year, reaching 81 thousand. Employees in the electricity and water sector decreased by 6 thousand people, or 20 percent, to 23 thousand. Employment in the trade sector declined by 12 thousand people, or 7 percent, to 175 thousand. Meanwhile, employment in other service sectors fell by 14 thousand people, or 3 percent, reaching 435 thousand.

By region, the number of employees in Ulaanbaatar rose by 17 thousand from the same period of the previous year to 641 thousand, while employment in rural areas increased by 16 thousand to 752 thousand. Specifically, employment grew by 15 thousand in the Khangai region, by 6 thousand in the Eastern region, and by 2 thousand in the Central region. In contrast, employment in the Western region declined by 6 thousand compared to the same period of the previous year.

16. The slowdown in labor force growth has led to a decline in the labor force participation rate. The labor force reached 1 million 474 thousand, representing an increase of 26 thousand persons, or 1.8 percent, compared to the same period of the previous year. This growth was predominantly attributable to an increase in the number of employees, while the number of unemployed persons declined by 8 thousand, or 9 percent, to 81 thousand, thereby dampening the overall growth momentum of the labor force. An analysis of the number of unemployed persons by reason indicates positive developments. The number of individuals who were unemployed due to having recently graduated and lacking professional skills or work experience decreased by 6.3 thousand compared to the same period of the previous year. Similarly, the number of individuals unable to find a

Figure 1.3. Labor market



job despite actively seeking work declined by 1.4 thousand year-on-year. In addition, the number of unemployed persons due to disability or illness decreased by a total of 2.2 thousand.

As a result, the unemployment rate fell to 5.5 percent, marking a decrease of 0.6 percentage points from the same period of the previous year. The labor force participation rate decreased by 0.3 percentage points year-on-year, standing at 62.7 percent, reflecting the slower pace of labor force growth.

17. The population outside the labor force expanded. The population outside the labor force reached 879 thousand, an increase of 29 thousand persons, or 3.4 percent, compared to the same period of previous year. By reason of inactivity, the number of persons who were studying, retired, elderly, disabled, pregnant, or caring for children increased by 27 thousand, whereas the number of persons with no profession or work experience, recent graduates, those not interested in working, those affected by organizational dissolution, or those unable to find employment declined by 4.6 thousand compared to the same period of the previous year.

Within the population outside the labor force, the number of persons who were willing to work but unable to do so increased by 6 thousand, or 30 percent, compared to the same period of the previous year, while the remaining population outside the labor force rose by 23 thousand, or 3 percent, indicating an overall expansion of the economically inactive population.

18. Although nominal average wages increased, the growth in real wages adjusted for the consumer price index remains weak. In the third quarter of 2025, the average monthly salary amounted to 2 million 714 thousand MNT, an increase of 234 thousand MNT compared to the same period of the previous year, while the median salary reached 2 million 312 thousand MNT, up by 288 thousand MNT year-on-year. Taking 2020 nominal average

wages as the base, the average wage has increased by 114 percent. However, when adjusted for the consumer price level to reflect purchasing power, real wages have increased by only 40 percent since 2020, indicating a weaker growth compared to nominal wages.

By sector, wages in the manufacturing and electricity sectors recorded the highest growth. In addition, average wages increased in the transportation, agriculture, construction, and trade sectors. On the other hand, the average wage in the mining sector decreased by around 6 percent, reaching 4.871 million MNT.

19. Despite the increase in the national average productivity level, the slowdown in the mining sector, which remains the most productive industry, constrained the overall growth rate. In the third quarter of 2025, labor productivity reached 6 million 193 thousand MNT, an increase of 285 thousand MNT or 4.8 percent compared to the same period of the previous year. By sector, the highest growth was recorded in the agricultural sector, where productivity increased by 584 thousand MNT, or 23.0 percent, year-on-year. The service sector also contributed positively, with productivity increasing by 403 thousand MNT.

However, the productivity level in the mining sector declined by 953 thousand MNT, or 6.0 percent, compared to the same period of the previous year, falling to 14 million 963 thousand MNT. This contraction in the mining sector significantly moderated the pace of national productivity growth.

20. The number of newly established enterprises increased. As of the third quarter of 2025, the total number of enterprises registered in the Business Register reached 279.9 thousand, an increase of 29.0 thousand, or 11.6 percent, compared to the same period of the previous year. Of this growth, 60.9 percent (17.6 thousand) was accounted for by enterprises that have not yet commenced operations or were newly established, while 30.9 percent (8.9 thousand) was contributed by

operating enterprises. By economic activity, of the total 11.6 percent increase, 3.8 percentage points were driven by enterprises engaged in wholesale and retail trade, 3.4 percentage points by the services sector, and 2.2 percentage points by the agricultural sector. The remaining 1.9 percentage points of growth were accounted for by the manufacturing, construction, and transport sectors (Figure 1.4).

21. The number of enterprises in the trade and services sectors increased. By sector, the increase in the number of enterprises was primarily driven by developments in the trade and services sectors. Compared to the same period of the previous year, newly established enterprises in these sectors increased by 10.7 thousand, while actively operating enterprises rose by 6.1 thousand, accounting for the largest share of overall enterprise growth.

More specifically, the number of newly established and operating enterprises engaged in wholesale and retail trade increased by 8.9 thousand. Enterprises in the professional and scientific activities sector grew by 1.6 thousand, those involved in public administration and defense increased by 1.6 thousand, and enterprises engaged in other service activities rose by 2.4 thousand, collectively constituting the main contributors to the overall growth.

22. The number of cooperatives in the agriculture sector increased as a result of the “New Cooperative” movement. Under Government Resolution No. 166 of 2024, which launched the “New Cooperative Movement,” concessional investment loans were provided to herder members of cooperatives. As result, the number of enterprises registered in the agriculture sector increased by 24 percent in the third quarter of 2025 compared to the same period of the previous year—three times higher than the 10-year average growth rate of 8.3 percent for the same quarter.

23. Growth in other actively operating sectors is slowing down. Compared to the previous year, the

number of operating enterprises increased by 47 in mining and by 544 in transport. Newly established enterprises increased by 171 in mining and by 834 in transport. Specifically, the number of operating enterprises in the mining sector increased by 4.0 percent, which is 2.3 percentage points lower than the 10-year average growth rate of 6.3 percent for the same quarter. Similarly, the number of operating enterprises in the transport sector increased by 13 percent, 4.1 percentage points lower than the 10-year average growth rate of 17.1 percent.

24. The number of small enterprises engaged in trade and services increased. Of the 115.0 thousand actively operating enterprises registered in the Business Register, 86.7 percent, or 99.7 thousand enterprises, have 1–9 employees. Compared to the same period of the previous year, the total number of enterprises increased by 8.9 thousand, of which 8.6 thousand were small enterprises with 1–9 employees.

The number of enterprises with 10–19 employees reached 6.9 thousand, an increase of 214 enterprises compared to the same period of the previous year, mainly driven by growth in enterprises operating in the agriculture, services, and manufacturing sectors. In addition, 59 enterprises with 20–49 employees and 19 enterprises with 50 or more employees newly commenced operations, with the services sector accounting for the largest share of this increase (Table 1.3).

Table 1.1. Change in the number of enterprises operating by employee count

Number of employees	Number of enterprises	Percentage change	Note
1-9	99.6	9.5%	One-third of the increase in the number of enterprises came from the services sector, one-third from trade, and 12 percentage points from agriculture and manufacturing.
10-19	6.9	8.8%	46 percent of the growth was contributed by the services sector, 26 percent by trade,

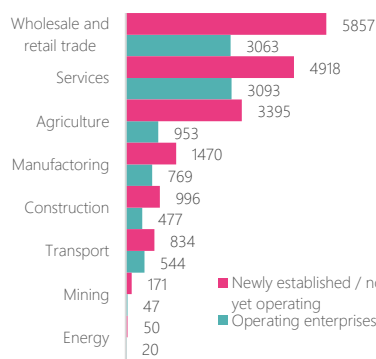
			and 14 percent by the construction sector.
20-49	5.3	0.9%	Of the 59-enterprise increase, the services sector grew by 60 enterprises, while the construction sector decreased by 4 enterprises.
50+	3.0	0.6%	Of the 19-enterprise increase, 23 were in the services sector and 3 in the mining sector. Meanwhile, the number of enterprises decreased by 3 in trade, 5 in construction, and 1 in agriculture.
Total	111.7	8.3%	

25. Real sales revenue of enterprises has increased. As of the third quarter of 2025, the real sales revenue of enterprises increased by 17.6 percent compared to the same period of the previous year, reaching MNT 25.5 trillion. By sector, wholesale and retail trade contributed 4.6 percentage points, the mining sector contributed 8.1 percentage points, and other service activities accounted for 6 percentage points.

Figure 1.4. Enterprises

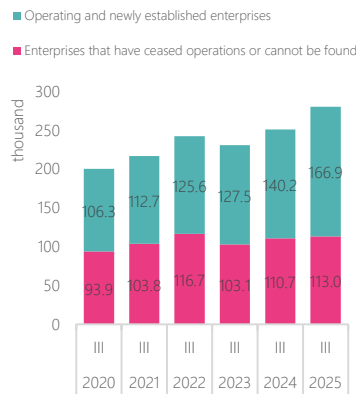
1. Change in the number of enterprises operating and newly established by sector

(the number of enterprise)



Source: NSO

2. Total enterprises (thousand)



Source: NSO

3. Sales revenue of enterprises in real value, third quarter

(trillion MNT, 2015=100)



Source: General Authority of Taxation

Box 2. Consumer confidence index

In the third quarter of 2025, consumers' expectations for the next 6 months have worsened, and the Consumer Confidence Index decreased by 14.3 points year-on-year to 98.4.

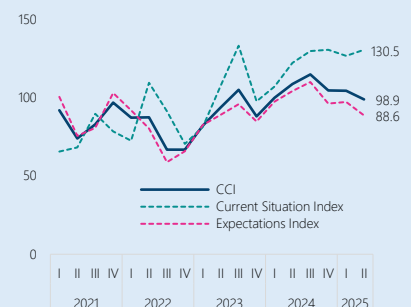
The Consumer Confidence Index (CCI), calculated by the National Research and Consulting Center (NRCC Co. Ltd) and the Japan-Mongolia Center for Human Resource Development, measures consumers' optimism about the general economic condition and household financial situation. The index is calculated based 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 decline in the assessment of future expectations was the main contributor to the decrease in the CCI to 98.4 in the third quarter of 2025. Table 2 presents the index's component breakdown.

1. Current Situation Index: *The evaluation of job availability decreased, leading to an 2.6-point decrease 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 third quarter of 2025, the Current Situation Index reached 127.1, with the increase largely driven by a 3.7-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 3.8 points.

2. Expectations Index: *Consumers' expectations for the next six months have worsened, resulting in a 20.9-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 third quarter of 2025, the Expectations Index declined to 89.0, due to a decrease in the share of consumers expecting business conditions to be “good” or “bad” by 2.7 and 6.0-points each compared to the same period last year. Consumer assessments of job availability and income expectations also weakened. The share of respondents perceiving job availability as “good” declined by 9.6 percentage points, while those assessing conditions as “poor” increased by 6.5 points. Likewise, the proportion of consumers expecting their income to improve fell by 5.7 points, whereas the shares anticipating income to remain “normal” and to deteriorate rose by 5 and 0.2 points, respectively, compared with a year earlier.

Figure 1.5. 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 1.2. Consumer Confidence Index Components

	2024.III	2025.III	Change
CURRENT SITUATION INDEX ▼			
<i>Business conditions</i>			
Good	11.9	8.1	-3.8 ▼
Normal	38.2	40.9	
Bad	49.0	49.9	0.9 ▲
<i>Job availability ▲</i>			
Good	34.0	37.7	3.7 ▲
Normal	33.3	31.3	
Bad	31.1	29.3	-1.8 ▼
EXPECTATIONS INDEX ▼			
<i>Business conditions ▼</i>			
Good	17.7	15.0	-2.7 ▼
Normal	64.2	58.3	
Bad	15.6	21.6	6.0 ▲
<i>Job availability ▼</i>			
Good	31.8	22.2	-9.6 ▼
Normal	51.7	53.7	
Bad	13.4	19.9	6.5 ▲
<i>Income expectations ▼</i>			
Good	25.7	20.0	-5.7 ▼
Normal	57.5	62.5	
Bad	15.3	15.1	-0.2 ▼

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

Box 3. The number of job advertisements on labor market websites decreased in the last half of the year.

In the third quarter of 2025, a total of 50.8 thousand job advertisements were published on some electronic platforms of the labor market. Of these, the majority, 32.5 thousand, were published on the **zangia.mn** website, 17.5 thousand on the **unegui.mn** website, and 774 job advertisements were published on the **ejob.gov.mn** portal, which is an electronic labor exchange.

A total of 32.5 thousand job advertisements were published on the **zangia.mn** website, which is a 2 percent decrease from the same period of the previous year. By sector, the number of advertisements increased the most in the trade and manufacturing sectors, while job advertisements published in the service sector decreased by 33 percent, or 5.7 thousand, from the same period of the previous year to 11.6 thousand, which mainly contributed to the decrease in the total number of advertisements. At the same time, the average salary of published job advertisements increased by 120 thousand MNT to 2 million 209 thousand. This increase was mainly due to an increase in the average salary in the service sector by 754 thousand MNT, while a decrease in the average salary in the mining and processing industries slowed down the overall growth.

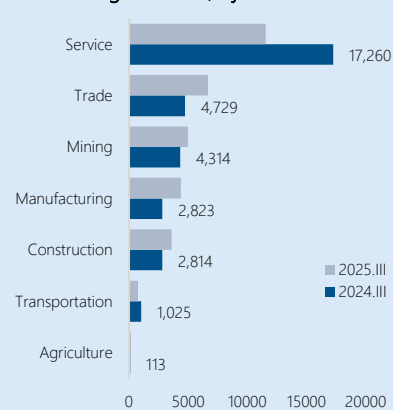
However, a total of 17.5 thousand job advertisements were published on the **unegui.mn** website, of which the majority, or 56 percent, were published in the service sector, while the trade and construction sectors accounted for the majority, accounting for 31 percent. However, no job advertisements were published in the agriculture and electricity sectors. The average salary of the published jobs is 2 million 222 thousand MNT, which is 325 thousand tugriks higher than the national average for the entire labor market.

Considering the total number of advertised jobs by sector, the majority of the total advertisements were published in the service sector (21.6 thousand), which accounts for 42 percent of the total advertisements. While 9.6 thousand jobs were published in the trade sector, 6.2 thousand in the construction sector, and 5.9 thousand in the processing industry. However, a total of 617 job advertisements were published in the agriculture and electricity sectors.

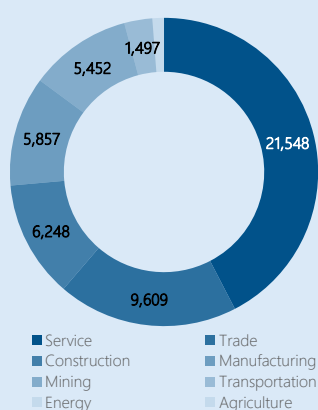
The average salary for all advertised jobs was 1 million 897 MNT, and by sector, the mining and construction sectors had the highest average salaries. Specifically, the average salary in the mining sector was 2 million 335 thousand MNT, and in the agricultural sector it was 2 million 133 thousand MNT.

Figure 1.6. Labor market demand

1. Number of job advertisements published on the Zangia website, by sector

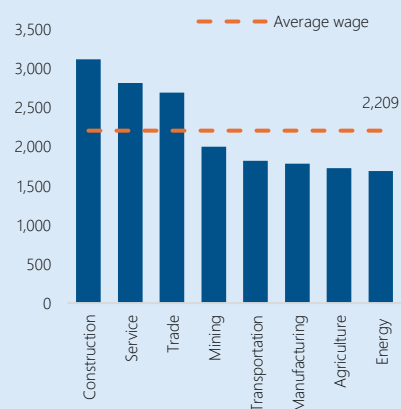


2. Number of job advertisements by sector



Source: Zangia.mn

3. Salary range of the job advertisement (thousand MNT)



Source: Labor market websites

1.4. Business cycle

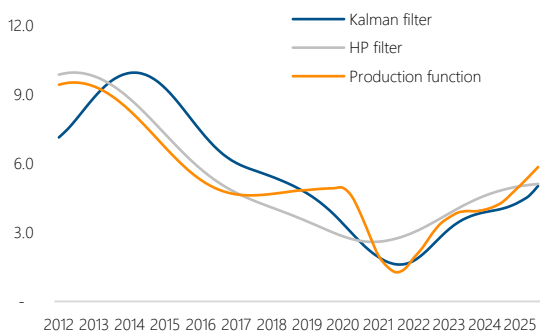
26. The growth in gross fixed capital formation continues to be the main driver of potential output growth. In the first half of 2025, favorable spring weather conditions led biological assets to contribute significantly to gross fixed capital formation. However, beginning in the third quarter of the year, the growth momentum of biological assets moderated, while non-residential construction activities became the main contributor to fixed capital formation. As a result, potential output growth remained broadly stable at around 5–6 percent, close to the previous quarter’s level. In addition, although labor market activity has gradually softened, it continued to support potential output growth.

27. The recovery in the mining sector, together with sustained activity in the manufacturing and

service sectors, kept overall output close to its potential level. In the first half of 2025, weaker activity at the mining exchange and lower commodity export prices reduced mining production, leading to a widening negative output gap. However, beginning in the third quarter of 2025, improved activity at the mining exchange and a gradual increase in commodity export prices supported a recovery in mining output, bringing it back close to its potential level. Meanwhile, the output gap in the non-mining sector closed in the third quarter of 2025, driven by sustained activity in the service sector and stronger performance in the manufacturing and energy sectors compared to the previous quarter. As a result, overall output remained 0.7 percent above its potential level.

Figure 1.7. Output gap 8

1. Potential GDP growth (percentage)

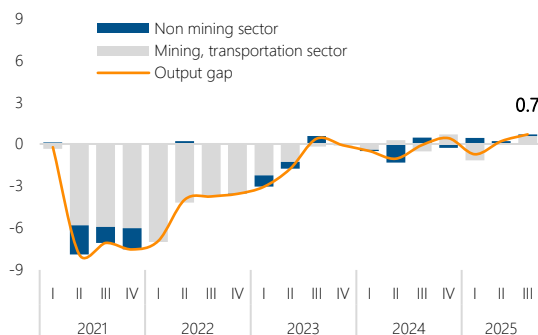


Source: Estimation of the MED

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. Calculation methodology of output gap is shifted from 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 20.7 trillion in the third quarter of 2025, representing a decrease of MNT 0.7 trillion, or 3.1 percent, compared to the same period of the previous year. As a result, the budget balance recorded a deficit of MNT 1.3 trillion. 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 22.1 trillion, marking a 11.3 percent increase year-over-year.

The government's outstanding debt, expressed in nominal terms, reached MNT 35.7 trillion—an increase of MNT 4.9 trillion, or 15.9 percent, compared to the same period last year. Furthermore, significant external debt repayments are anticipated over the medium term, with principal payments projected at USD 391.8 million in 2025, USD 978 million in 2026, USD 918.5 million in 2027, and USD 1,078.5 million in 2028, underscoring the need for sound debt management in the coming years.

2.1. Budget performance

28. The structural budget balance recorded a deficit. In the third quarter of 2025, consolidated budget revenue totaled MNT 22.2 trillion, marking a decrease of MNT 0.6 trillion or 2.7 percent compared to the same period of the previous year. Meanwhile, consolidated budget expenditures reached MNT 22.1 trillion, reflecting a 11.3 percent increase year-on-year. As a result, fiscal balance recorded a deficit of MNT 185.8 billion, and the structural balance a deficit of MNT 1.3 trillion.

29. Although activity in the mining sector has intensified, the decline in coal prices has led to reduced revenues from Corporate Income Tax (CIT) and Royalty, thereby weakening fiscal revenue. In the third quarter of 2025, structural revenue reached MNT 20.7 trillion, a decrease of MNT 0.7 trillion (3.1 percent) compared to the same period of the previous year.

The continued decline in coal prices since the beginning of 2025 has remained the principal factor contributing to the reduction in budget revenues. In particular, the average border price of coal fell to USD 57.0 in the third quarter of 2025, a 40 percent decrease compared to the corresponding period of the previous year. Although the volume of coal exports remained robust, the decline in prices primarily contributed to the reduction in tax revenues from the mining sector.

For instance, in the third quarter of 2025, Corporate Income Tax (CIT) revenue amounted to MNT 3,861.9 billion, reflecting a decline of MNT 917.4 billion (19.2 percent) compared to the same period of the previous year. Similarly, total Royalty revenue reached MNT 2,737.9 billion, decreasing by MNT 949.6 billion (25.8 percent) year-on-year. These declines were the primary contributors to the contraction in budget revenues. Approximately 30 percent of Mongolia's fiscal revenue is generated from the mining sector; therefore, adverse external conditions and the continued decline in coal prices

continue to pose significant risks to fiscal revenue mobilization.

Table 2.1. Corporate Income Tax (CIT) collection from the Top 100 enterprises, by sector (trillion MNT)²

CIT	2024.III	2025.III	Difference	Growth
Total	3.90	2.87	(1.03)	-27%
<i>Mining</i>	2.99	1.84	(1.15)	-38%
<i>Financial and insurance</i>	0.52	0.53	0.01	2%
<i>Trade</i>	0.15	0.20	0.05	33%
<i>Service</i>	0.02	0.02	0.01	46%
<i>Construction</i>	0.05	0.08	0.03	50%
<i>Manufacturing</i>	0.06	0.08	0.02	31%
<i>Transportation</i>	0.02	0.02	0.00	10%
<i>Electricity and heating</i>	0.02	0.02	0.00	13%
<i>Communication</i>	0.08	0.08	(0.01)	-6%

Source: MTA

30. The increase in the number of employees supported the growth of labor-based tax revenues, contributing to higher revenues from Personal Income Tax (PIT) and Social Insurance contributions. The minimum wage has been revised to MNT 4,715 per hour and MNT 792 thousand per month, effective April 1, 2025. Under the previous regulation, an average of MNT 89.1 thousand was paid in social insurance premium out of a salary of MNT 660 thousand, but under the above decision, MNT 106.3 thousand will be paid, which has supported the growth of nominal wages and had a positive impact on the growth of employment-based tax revenues.

The number of compulsory social insurance contributors reached 1,092.0 thousand, increasing by 36 thousand (3.4 percent) from the same period of the previous year. As a result, the total number of insured individuals rose to 1,241.0 thousand, representing a year-on-year increase of 2.6 percent. In contrast, the number of voluntary contributors declined to 149 thousand, decreasing by 3.2 percent from the corresponding period of the previous year.

As a result, social insurance revenue reached MNT 4.0 trillion in the third quarter of 2025, reflecting an increase of MNT 645.1 billion (19.4 percent) compared to the same period of the previous year. Meanwhile, Personal Income Tax (PIT) revenue amounted to MNT 2.1 trillion, increasing by MNT 322.5 billion (18.0 percent) year-on-year.

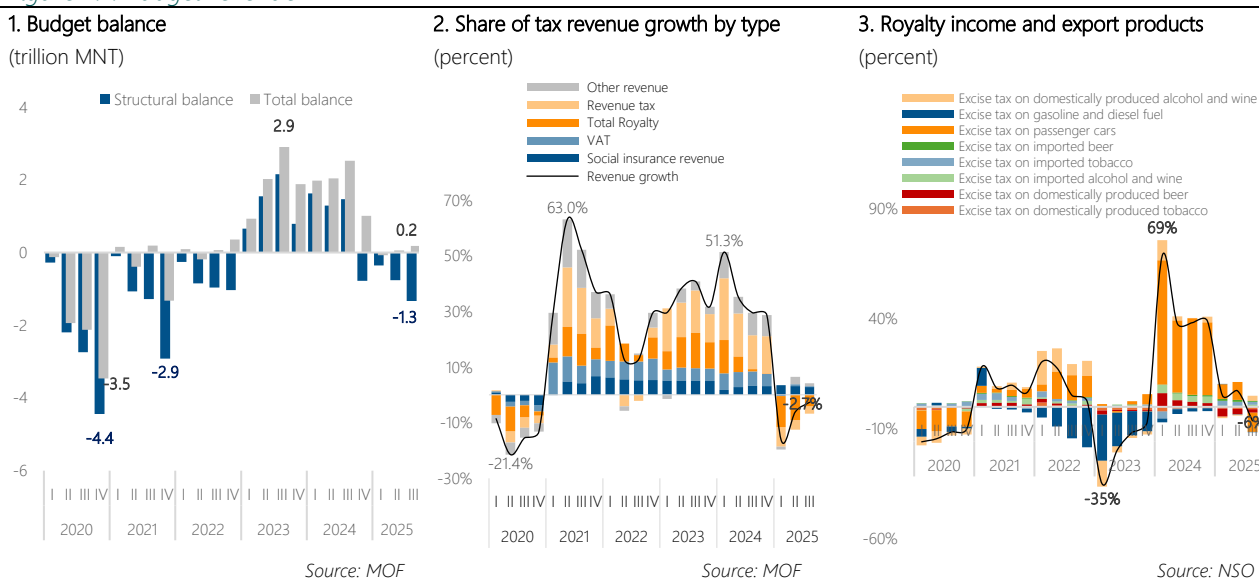
31. Value-added tax (VAT) revenue has remained broadly stable at the level observed in the same period of the previous year. As of the third quarter of 2025, VAT revenue reached MNT 4.4 trillion, increasing by 1.8 percent year-on-year, indicating relatively stable purchasing power in the domestic market.

In particular, VAT from domestically produced goods increased by MNT 160.7 billion (9.1 percent) compared to the same period of the previous year, while VAT from imported goods rose by MNT 114.2 billion (4.0 percent). Despite a slowdown in import demand, VAT on imports and customs duty revenues remained broadly stable at levels close to those of the previous year, thereby supporting the overall stability of VAT revenue collection.

32. Due to restrictions on issuing state registration numbers for passenger cars, the number of imported passenger cars has decreased, which in turn contributed to a decrease in excise tax revenue. In the third quarter of 2025, excise tax revenue amounted to MNT 767.3 billion, representing a decrease of MNT 52.0 billion (6.3 percent) compared to the same period of the previous year. This decline was primarily driven by a reduction of MNT 71.3 billion (16.3 percent) in excise tax revenue from passenger vehicles.

“On Approving Criteria for Issuing Vehicle Registration Plates in the Capital City,” which came into effect on June 1, 2025, resulted in demand for passenger vehicles increasing during the first half of the year. However, in the third quarter of 2025, the volume of imported passenger vehicles decreased by 16.7 percent year-on-year, despite an increase in import value. In other words, although higher-value, relatively newer vehicles (less than 10 years old) were imported, the decline in import volume was the main factor contributing to the decrease in passenger vehicle excise tax revenue.

Figure 2.1. Budget revenue



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 reached MNT 17.8 trillion, representing

an increase of MNT 2.3 trillion, or 14.6 percent, compared to the same period of the previous year, which had a positive impact on the growth of total expenditures. Legally mandated expenditures, including civil servant salaries, pensions, social benefits, child support, and interest payments, accounted for 70 percent of current spending. Specifically, in 2025, the Government of Mongolia raised civil servant salaries and revised the Social Insurance Fund’s pension adjustment formula, resulting in a 6 percent increase in both salaries and pensions from January, which was the primary driver of current expenditures growth.

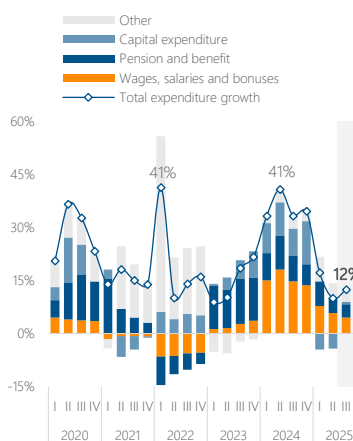
34. The growth in social welfare expenditures was primarily driven by the doubling of cash allowances provided to Honored Mothers, as well as an increase of MNT 95,000 in welfare benefits and caregiving allowances. Under the State Budget Law for the fiscal year 2025, MNT 2.5 trillion was allocated for social welfare pensions and benefits. As of the third quarter of 2025, execution amounted to MNT 1.8 trillion, representing an increase of 5.9 percent compared to the same period of the previous year. The increase was driven by cash incentives for mothers with honorary titles, which contributed 2.0 percentage points, social welfare benefits by 1.9 percentage points, social welfare pensions by 1.7 percentage points,

and other pensions and allowances by 0.3 percentage points. In accordance with Government Resolution No. 255 of 2024, the cash allowances granted to Honored Mothers were doubled, effective January 1, 2025, resulting in total expenditures of MNT 66.0 billion in the third quarter of 2025, an increase of MNT 33.9 billion year-on-year.

35. The majority of state budget subsidies were allocated to cover the operating deficits of public transportation. As of the third quarter of 2025, the consolidated budget provided a total of MNT 659.1 billion in subsidies, remaining at the same level as in the corresponding period of the previous year. Subsidies provided to the private sector reached MNT 559.4 billion, increasing by 41.3% year-on-year, while subsidies to state-owned entities fell by 60.6% percent year-on-year. Specifically, subsidies to cover public transportation losses amounted to MNT 256.1 billion, increasing 1.3 times compared to the same period last year. Interest rate subsidies reached MNT 53.6 billion, marking a 6.7-fold increase. Although 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 in effect since January 2025, budgetary subsidies to cover public transport losses have continued to rise.

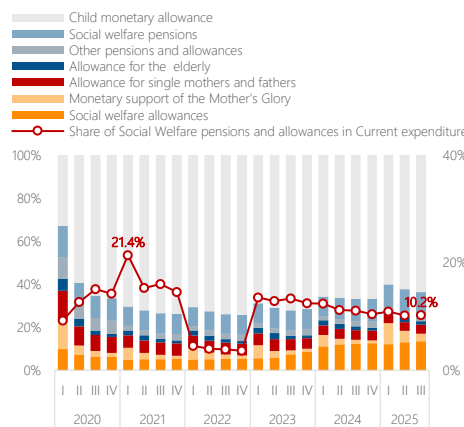
Figure 2.2. Budget expenditures

1. Budget expenditure, by economic classification (percentage point)



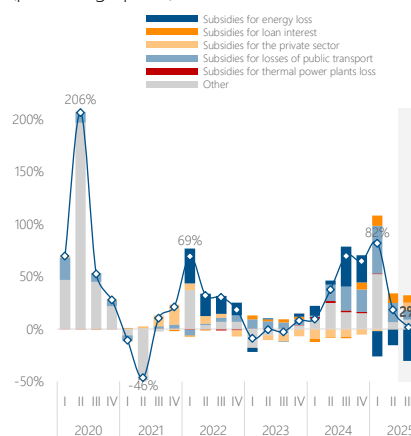
Source: Estimation of MED, MOF

2. Social welfare pensions and allowances (percent)



Source: Estimation of MED, MOF

3. Growth in total subsidies provided from the budget, by purpose (percentage point)



Source: Estimation of MED, MOF

Note: The growth rate of the consolidated budget expenditures was determined by the quarterly increase.

Note: Interest payments' share of current expenses was calculated quarterly.

Notes: The distribution of subsidies provided by the consolidated budget to state-owned and private organizations is calculated as a percentage of the annual growth in total subsidies.

36. Construction and equipment performance has increased year-on-year. The consolidated budget capital expenditure reached MNT 4.1 trillion in the third quarter of 2025, an increase of 3.9 percent from the same period last year. By economic category, 71.4 percent of total investment expenditure was spent on buildings, 15.4 percent on other assets, 7.9 percent on equipment, and 5.3

percent on capital repairs. Construction, capital repairs increased by 21.5 percent, 28.7 percent, respectively, compared to the same period last year, while equipment expenditures decreased by 20.3 percent. Capital expenditure under the consolidated budget was planned at MNT 4.9 trillion for the third quarter of 2025; however, its execution reached 84.5%.

2.2. Fiscal policy

37. A contractionary counter-cyclical fiscal policy is being implemented. Fiscal policy should be aimed at ensuring economic stability by expanding during economic contractions and contracting during economic booms. In analyzing how fiscal policy affects economic stabilization, it is necessary to separate the impact of fiscal policy on the fiscal balance. Because the fiscal balance depends not only on fiscal policy but also on the debt service payments that the economy is obligated to make on schedule, regardless of its own business cycle and economic conditions.

Figure 2.3 shows the impact of fiscal policy on the budget balance by fiscal stance, the impact of the economic cycle independent of fiscal policy by automatic stabilizers, and the impact of debt service payments by interest payment. In the third quarter of 2025, the fiscal balance had a deficit of 1.5 percent of potential GDP, a positive impact from the fiscal stance of 0.1 percentage points and the automatic stabilizer of 0.1 percentage points, and a negative impact from interest expenditure of 1.7

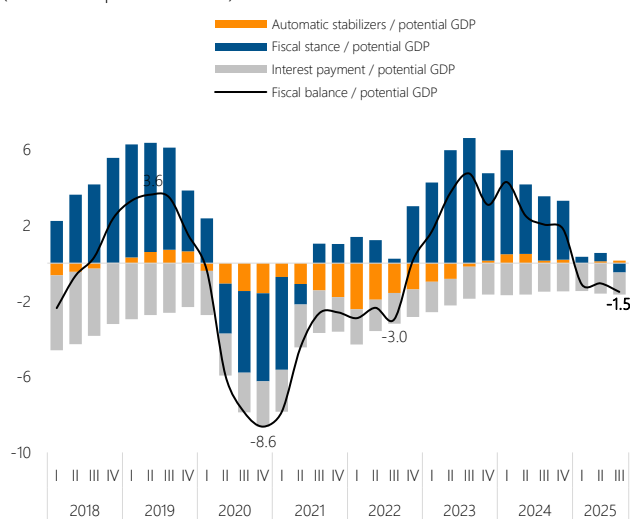
percentage points, making it the main cause of the budget deficit. Although the fiscal balance has weakened by 0.3 percentage points compared to the previous quarter, contractionary fiscal policy continues to be implemented. In a context of elevated inflationary pressure and currency depreciation, the ongoing fiscal contractionary policy indicates consistency with the prevailing monetary policy stance.

38. The recovery in mining sector production led to increased economic activity, resulting in a positive impact from automatic stabilizers on the budget. Economic output remained at its potential level in the third quarter of 2025, primarily supported by growth in the mining and transportation sectors. Consequently, the impact of automatic stabilizers, independent of fiscal policy, reached MNT 29.7 billion, equivalent to 0.1 percentage points in the third quarter of 2025, representing an increase compared to the same period of the previous year.

Figure 2.3. Fiscal balance and stance

1. Overall balance

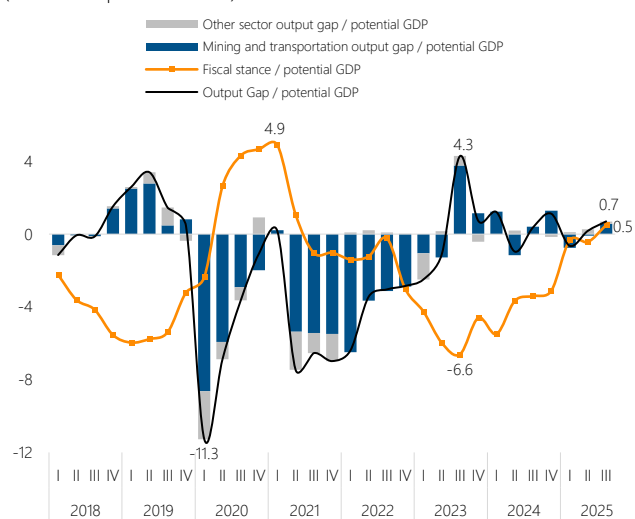
(Percent of potential GDP)



Source: Estimation of MED, MOF

2. Fiscal stance

(Percent of potential GDP)



Source: Estimation of MED, MOF

2.3. Government debt sustainability

39. Government Debt expanded for the six consecutive quarters reaching MNT 35.7 trillion as of the third quarter of 2025. The government debt to GDP ratio reached 39.7 percent in the third quarter of 2025, reflecting an increase of MNT 4.9 trillion, or 15.9 percent, compared to the same period last year. Compared to the previous quarter, the nominal stock of government debt rose by MNT 175.3 billion, mainly due to increased utilization of external loans.

40. The government’s external debt repayments are expected to remain high during 2026–2028. According to the external debt repayment schedule, debt service obligations are projected at USD 391.8 million in 2025, USD 574.3 million in 2026, USD 831.6 million in 2027, and are expected to peak at USD 970.3 million in 2028. Thereafter, the burden is projected to ease, with external debt repayments declining to USD 760.4 million in 2029. Although the government’s external debt burden has been steadily declining since 2021, it is projected to rise again from 2026 onward underscoring the need for sound debt management in the coming years, especially strengthening foreign exchange reserves, mitigating exchange rate fluctuation risks, and

ensuring that external borrowing is directed toward economically beneficial projects and programs.

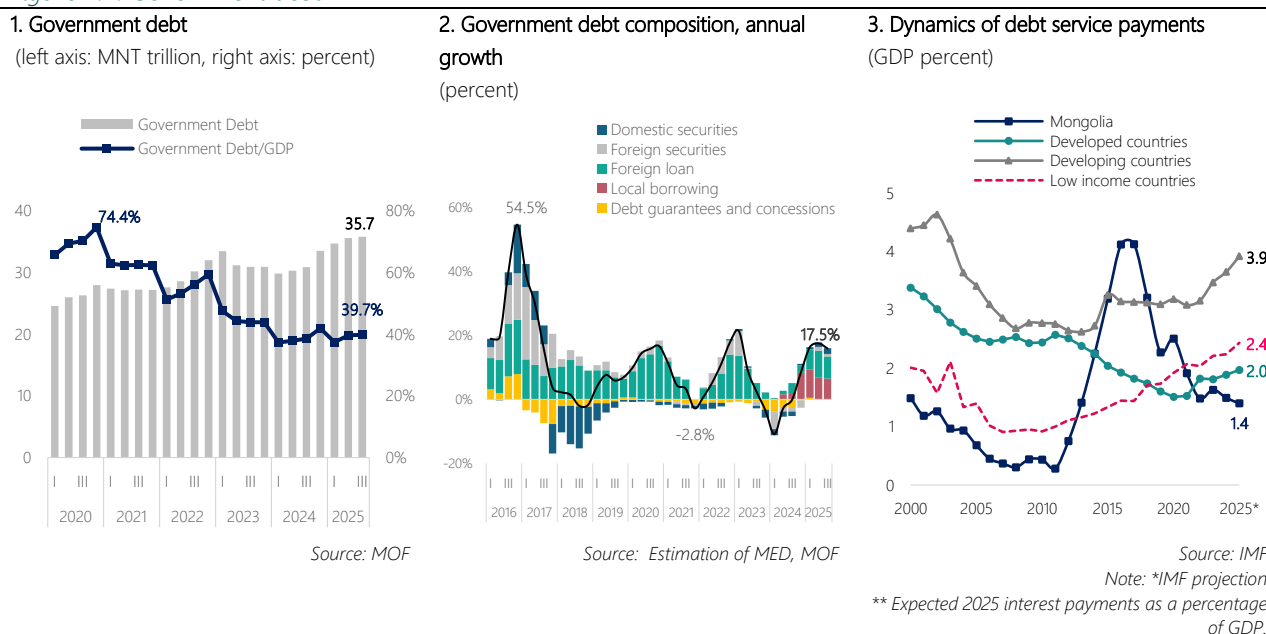
41. As of the third quarter of 2025, the utilization of external loans amounted to MNT 625.3 billion. The outstanding stock of government external debt, including external loans and securities, reached MNT 32.3 trillion, increasing by MNT 2.4 trillion or 7.8 percent compared to the same period of the previous year. This increase was mainly driven by higher external loan disbursements and exchange rate fluctuations.

Table 2.2. Utilization of External loan (billion MNT)²

		2025.III
1	Asian Development Bank	108.4
2	Australia	13.5
3	China	321.3
4	World bank	14.0
5	EBRD	6.8
6	JICA	1.1
7	Poland	5.1
8	South Korea	37.7
9	France	21.7
10	India	95.7

42. Domestic government securities market is recovering. Since October 2017, the government temporarily stopped the issuance of open market operations, resulting in the outstanding amount of

Figure 2.4. Government debt



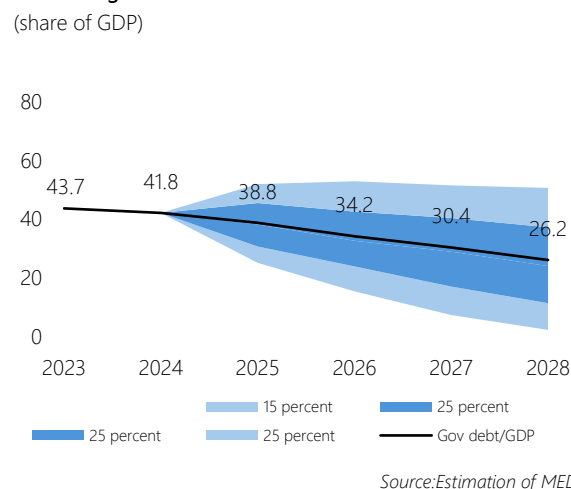
domestic securities decreased by 48.5 times and reached MNT 96.8 billion in the third quarter of 2024. In November 2024, in accordance with Article 6 of the State Budget Law for the fiscal year 2024, the government issued MNT 300 billion worth of securities to the Social Insurance Fund. Furthermore, to support the domestic market, establish a benchmark interest rate for tugrik-denominated bonds, and enhance market depth, the government resumed open issuance of domestic securities on the primary market on April 16, 2025. As a result, the outstanding amount of the domestic securities reached MNT 664.4 billion as of the third quarter of 2025. The rise in domestic government debt was largely driven by the Capital City's issuance of new short-term bonds (1–5 years) totaling MNT 2.6 trillion in the fourth quarter of 2024.

43. The government-guaranteed debt decreased by 14.2 percent, and reached MNT 178.8 billion compared to the same period last year. This represents the outstanding loan under the government guarantee issued to the Development Bank of Mongolia for the Choibalsan Thermal Power Plant expansion project

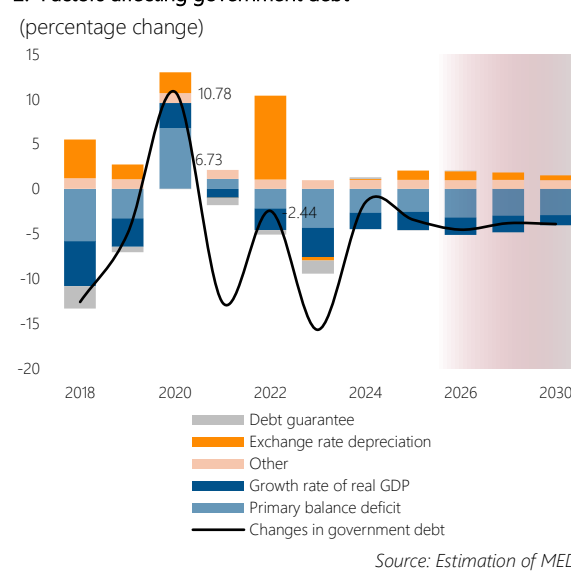
44. **Medium-term government debt outlook is highly sensitive to the primary balance and real GDP performance.** The medium-term outlook for government debt is assessed through debt sustainability analysis, which evaluates its sensitivity to key macroeconomic indicators. Based on the baseline scenario for debt dynamics, assuming GDP growth at 5.5 percent in 2025, 5.7 percent in 2026, the GDP deflator and exchange rate depreciation remaining at their 10-year historical averages, and the primary balance staying near projected levels, the government debt-to-GDP ratio is expected to reach 38.8 percent in 2025. When applying a one standard deviation shock to the major indicators in 2025 and 2026, the government debt could rise by 11.4 percentage points above the baseline level by 2027, with a probability of 25 percent. This indicates

Figure 2.5. Government debt Sustainability

1. Impacts of nominal external interest rate and exchange rate shocks on government debt



2. Factors affecting government debt



that government debt is highly sensitive to macroeconomic uncertainties and external shocks.

45. The primary balance plays a key role in ensuring the sustainability of government debt. A debt dynamics analysis was conducted to evaluate the key factors influencing public debt. In 2025, the nominal government debt-to-GDP ratio decreased by 3.4 percentage points, with real GDP growth contributing a positive effect of 2.1 percentage points, while exchange rate depreciation exerted a negative effect of 1.1 percentage points of this decline. Going forward, the sustainability of government debt will largely depend on real GDP growth, management of the primary balance and the exchange rate depreciations.

CHAPTER III

MONETARY SECTOR

3.1. Inflation and monetary policy

3.2. Financial sector

3. MONETARY SECTOR

OVERVIEW

Inflation accelerated to 9.0 percent in the third quarter of 2025, remaining above the central bank's target level. As domestic economic activity continued to expand, domestic goods and services inflation intensified, driven by rising food prices, higher electricity tariffs, and increasing service sector prices. While demand-side inflation slowed over the past six months due to tighter policy measures, supply-driven inflation strengthened further. The central bank maintained the policy rate at 12 percent throughout the third quarter of 2025, as inflationary risks related to credit growth, geopolitical uncertainty, and tariff policies remained elevated.

Credit growth in the banking sector remained strong, supported by continued expansion in both business and consumer lending, contributing significantly to money supply growth. At the same time, the banking sector's loan quality deteriorated slightly from the previous quarter as non-performing loans increased, particularly in salary and household consumption loans. Nevertheless, the banking sector remained profitable, although profitability indicators showed signs of moderation in recent quarters.

3.1. Inflation

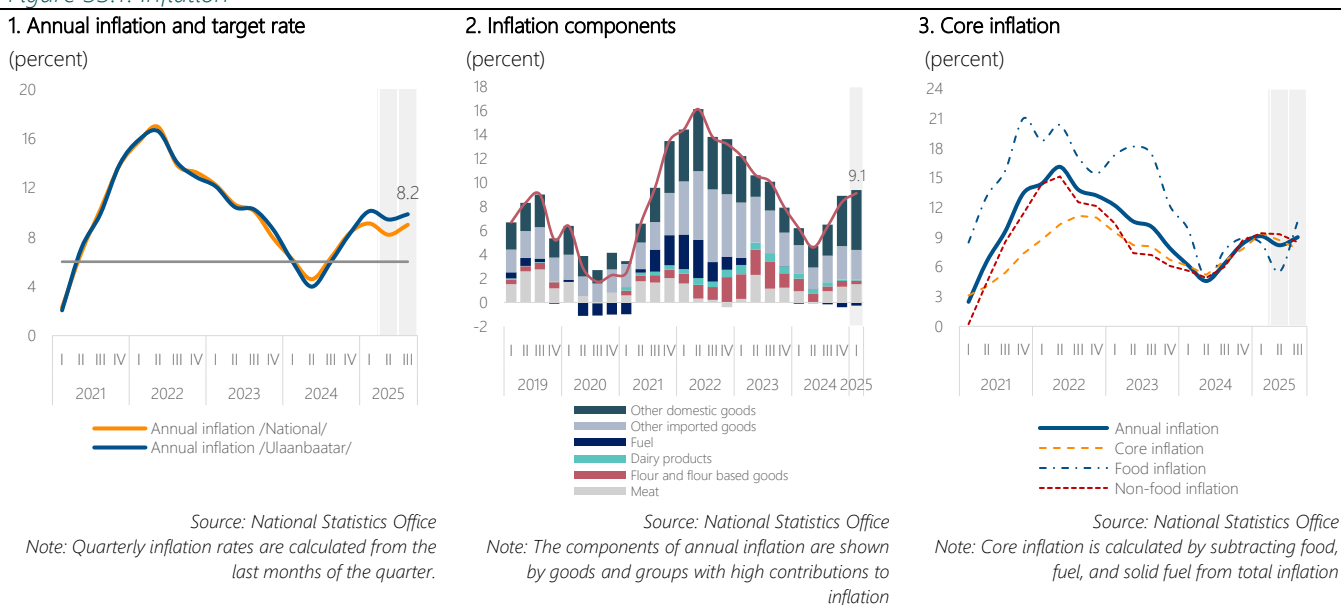
46. Inflation accelerated to 9.0 percent in the third quarter of 2025. Inflation reached 9.0 percent in September 2025, increasing by 2.7 percentage points compared to the same period of the previous year and by 0.8 percentage points from the previous quarter. The increase in inflation from the previous year was mainly driven by housing, water, electricity, gas and other fuels, which contributed 1.2 percentage points, food products, which contributed 0.8 percentage points, and transportation, which contributed 0.7 percentage points. Food products accounted for 2.8 percentage points of total inflation, housing, water, electricity, gas and other fuels for 1.9 percentage points, clothing and footwear for 1.0 percentage point, and education services for 0.8 percentage points. Inflation in the third quarter of 2025 was slightly higher than projected due to stronger-than-expected increases in vegetable prices caused by weather conditions.

47. Imported inflation remained relatively stable, while domestic goods and services inflation accelerated in recent months. Inflation for imported goods reached 5.1 percent in September 2025, increasing by 1.0 percentage point year-on-year and accounting for 26.4 percent of total inflation. Around 79 percent of imported inflation was

explained by price increases in non-food goods, particularly clothing, footwear, automobiles, and fuel prices. The stabilization of the foreign exchange market contributed positively to keeping imported inflation relatively stable. Domestic goods and services inflation reached 12.6 percent in September 2025, accelerating by 4.2 percentage points year-on-year and accounting for 73.6 percent of total inflation. Food and service price increases were the main contributors to domestic inflation. In particular, service prices rose by 15.0 percent year-on-year in September 2025, accelerating by 6.5 percentage points compared to the previous year and contributing 3.7 percentage points to total inflation. The acceleration in service inflation was mainly driven by increases in household electricity tariffs, apartment rents, public transportation fares, and dental service fees

48. Demand-side inflation slowed for six consecutive months, while supply-driven inflation accelerated. Core inflation, which excludes food, fuel, energy, and utilities, reached 7.8 percent in September 2025, increasing by 1.2 percentage points year-on-year but declining by 0.9 percentage points from the previous quarter. Demand-side inflation has decreased continuously over the past six months. The slowdown was mainly

Figure 33.1. Inflation



influenced by policy measures such as the 2025 budget amendment and reductions in fiscal current expenditures, stabilization of the foreign exchange market, tighter regulations on consumer lending, and maintaining the policy rate at 12 percent. Demand-side inflation accounted for the majority of total inflation, contributing 4.8 percentage points. Supply-driven inflation reached 11.0 percent in September 2025, accelerating by 5.7 percentage points year-on-year. The acceleration was mainly driven by a 65 percent increase in household electricity tariffs and a 10.6 percent increase in food prices.

49. Inflation in non-food goods and services showed signs of gradual easing, while food inflation continued to rise.

Inflation for non-food goods and services stood at 8.5 percent in the third quarter of 2025, increasing by 2.6 percentage points year-on-year but declining by 0.8 percentage points from the previous quarter. The year-on-year increase was mainly driven by a 65 percent rise in household electricity tariffs, a 100 percent increase in bus ticket prices, a 35 percent increase in apartment rents, a 6.2 percent increase in pharmaceutical and medical service prices, and a 7.9 percent increase in AI-92 gasoline prices. Food inflation reached 10.6 percent in the third quarter of 2025, accelerating by 2.9 percentage points compared to the same period of the previous year. Food inflation alone contributed 2.8 percentage points to total inflation. The increase was mainly driven by higher prices for meat and meat products, as well as vegetables. Specifically, prices of meat and meat products rose by 14.5 percent year-on-year, while vegetable prices increased by 28.7 percent. The rise in vegetable prices was influenced by a 15.2 percent decline in harvested crops due to adverse weather conditions.

50. International container shipping prices declined year-on-year, while the food price index increased.

Global container shipping prices had risen sharply since February 2024 due to attacks affecting the Suez Canal in the Red Sea, but began gradually declining from August 2024 onward. As of the end of September 2025, the global container shipping price stood at USD 1,761 per 40-foot container, decreasing by 52.3 percent year-on-year, although remaining 26 percent higher than pre-pandemic levels. The global food price index reached 128.7 by the end of the third quarter of 2025, increasing by 3.4 percent year-on-year. Global meat prices increased, while prices for grains, dairy products, sugar, and vegetable oils declined. As of September 2025, inflation declined in China, Russia, South Korea, Japan, Kyrgyzstan, and Türkiye, while it increased in Kazakhstan, Sri Lanka, Georgia, the United States, the United Kingdom, and the Euro area.

51. The policy rate is at an optimal level.

The central bank maintained the policy rate at 12 percent throughout the third quarter of 2025. According to the Taylor rule, which estimates the appropriate policy rate, the calculated rate stood at 12.1 percent, broadly consistent with the average policy rate level. Furthermore, since the second quarter of 2025, the real interest rate gap has had a slightly tightening effect on monetary conditions. In the third quarter of 2025, the tightening effect of the real exchange rate gap on monetary conditions increased compared to the previous quarter. Looking ahead, risks that could increase inflation — including the growth of newly issued loans, geopolitical instability, and tariff policies — remain elevated. Therefore, maintaining the policy rate unchanged in the short term is considered appropriate.

Figure 33.2. Taylor's Rule and monetary conditions index

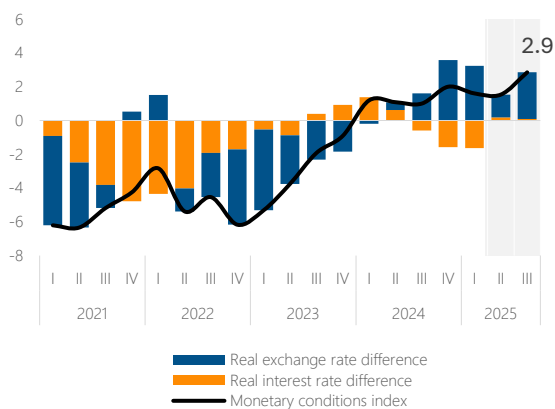
1. Policy rate and Taylor's rule

(percent)



2. Monetary conditions index

(percent)



Source: MED estimation

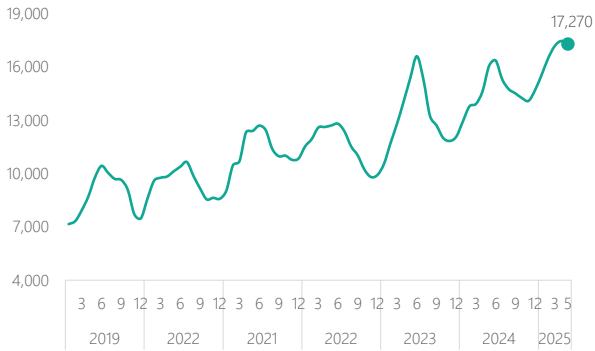
Note: The implied rate calculated by Taylor's rule represents the appropriate value of the central bank's policy rate. It is an equation containing variables such as the policy rate set in the previous quarter, inflation, expected inflation, nominal interest rate, and a fixed coefficient. In connection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

Source: MED estimation

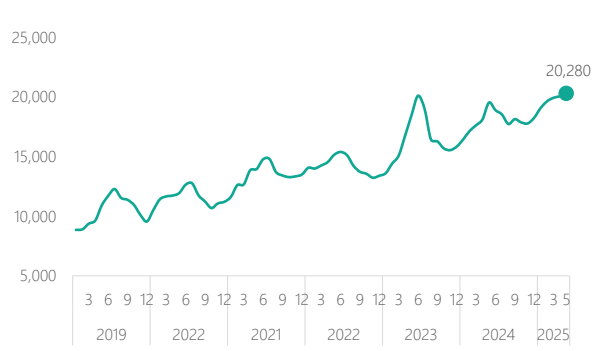
Note: The Monetary Conditions Index is an indicator that measures the impact of monetary policy in an economy. The Monetary Conditions Index was calculated using the GAP methodology of the Monetary Policy Analysis. It is calculated using real interest rates and exchange rates. A positive monetary condition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

Figure 33.3. Prices of some items

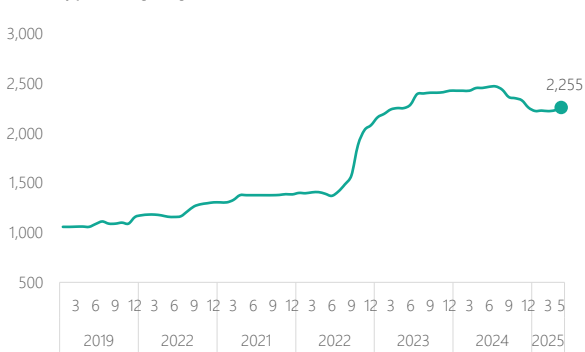
1. Mutton (kg/tugrik)



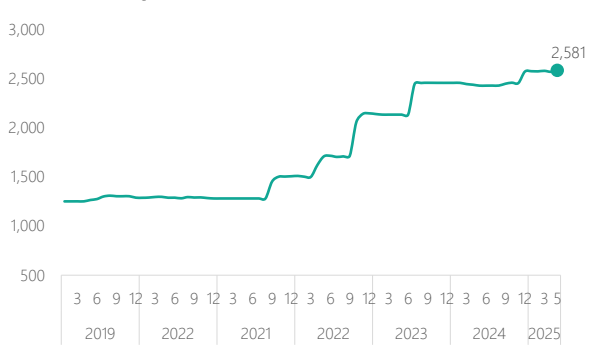
2. Beef (kg/tugrik)



3. Flour, type 1 (kg/tugrik)



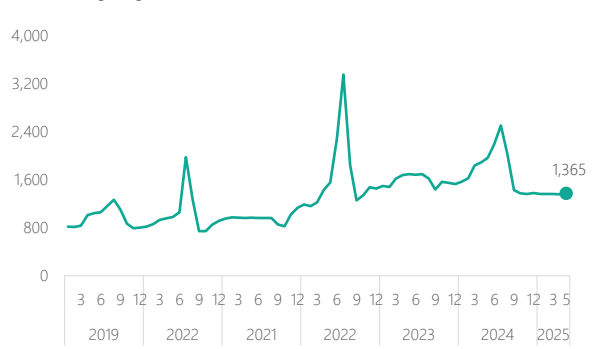
4. Bread, Atar (tugrik)



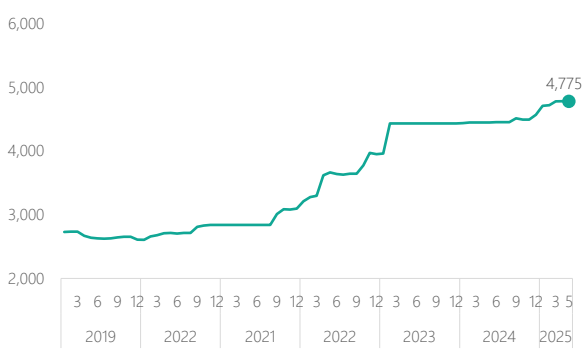
5. Vegetable oil (tugrik)



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 growth has been accelerating in recent quarters.

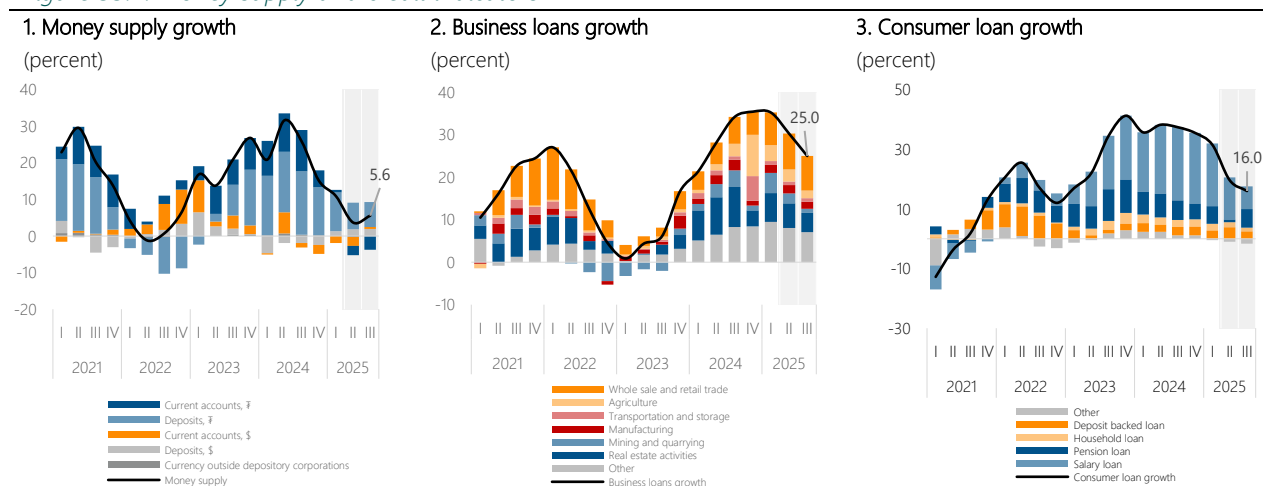
By the third quarter of 2025, money supply growth reached 6.2 percent, decreasing by 18.2 percentage points compared to the same period last year. On the liabilities side, domestic currency deposits were the main contributor to money supply growth. Specifically, domestic currency deposits accounted for 6.8 percentage points, foreign currency deposits for 2.0 percentage points, foreign currency current accounts for 0.6 percentage points, In contrast, domestic currency current accounts exerted a negative contribution of 3.7 percentage points. On the asset side, net domestic assets accounted for 8.7 percentage points of money supply growth, while net foreign assets accounted for 3.1 percentage points. The increase in net domestic assets was mainly driven by domestic credit.

53. Credit growth remains elevated.

Outstanding loans in the banking sector reached MNT 42.7 trillion by the end of the third quarter of 2025, with annual growth accelerating to 22.1 percent. Of the total outstanding loans, 70 percent, or MNT 29.7 trillion, consisted of business loans, while 30 percent, or MNT 13.0 trillion, were consumer loans. The growth rate of outstanding business loans reached 25.0 percent in the third quarter of 2025, although the pace of growth slowed by 9.2 percentage points compared to the same period

of the previous year. The increase in business lending was mainly driven by loans to the wholesale and retail trade sector, which grew by 31.2 percent year-on-year, real estate activities loans by 20.1 percent, construction loans by 36.4 percent, and agricultural loans by 41.5 percent. The growth rate of outstanding consumer loans reached 16.0 percent in the third quarter of 2025, with the pace of growth slowing by 21.4 percentage points from the same period of the previous year. Salary-backed loans continued to make the largest contribution to consumer loan growth. Specifically, outstanding salary loans increased by 14.4 percent year-on-year. Following the decision of the Monetary Policy Committee in July 2025 to abolish regulations on loans collateralized by pension and benefit income, and to no longer apply the debt-to-income ratio requirement for newly issued loans, the growth of pension loans rebounded sharply, reaching 42.2 percent in the third quarter of 2025.

Figure 33.4. Money supply and credit indicators



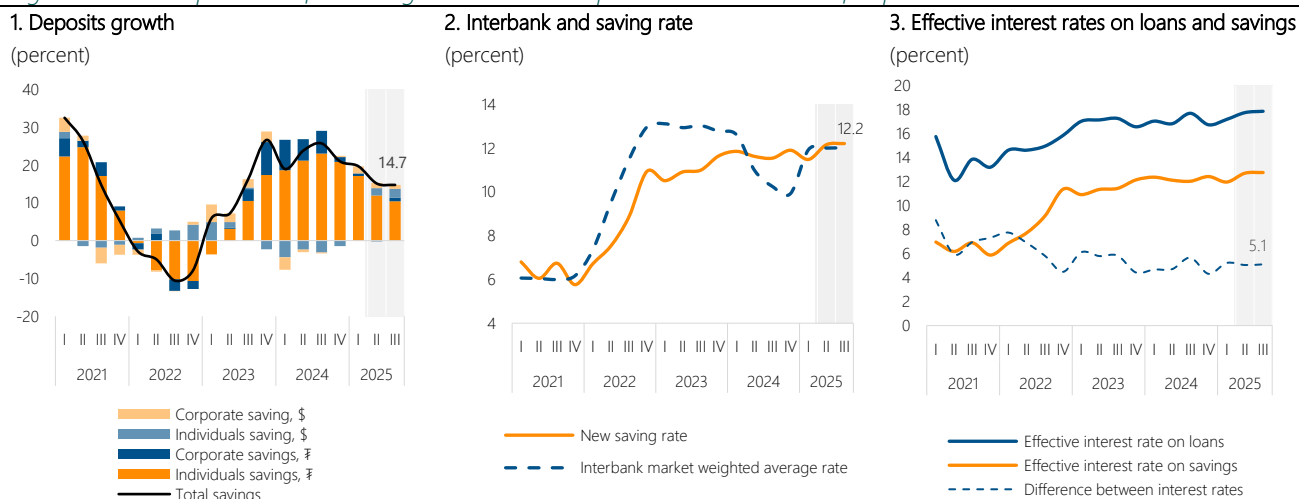
Source: Estimation of MED, Bank of Mongolia statistics

54. Growth in newly issued loans recovered for business lending while slowing for consumer lending. As of the third quarter of 2025, the total amount of newly issued loans in the banking sector reached MNT 48.9 trillion, increasing by MNT 7.0 trillion, or 16.8 percent, compared to the previous year. Of this total, 65.6 percent consisted of business loans, while 34.4 percent were consumer loans. During the first three quarters of 2025, the annual growth rate of newly issued business loans reached 21.8 percent, although the pace of growth slowed by 23.3 percentage points. The increase in newly issued business loans was mainly driven by higher lending to the wholesale and retail trade, mining and quarrying, construction, manufacturing, and financial and insurance sectors. Meanwhile, the growth rate of newly issued consumer loans stood at 8.3 percent as of the third quarter of 2025, with the pace of growth declining by 23.4 percentage points compared to the same period of the previous year. The growth in newly issued consumer loans was primarily supported by savings-backed loans and pension loans. The central bank abolished the regulations previously imposed on loans collateralized by pensions and benefits in July 2025. As a result, pension loans issued during the third quarter of 2025 increased by MNT 1.2 trillion compared to the previous quarter.

55. Non-performing loans increased from the previous year. The total amount of non-performing loans (NPLs) reached MNT 2.2 trillion as of the third quarter of 2025, increasing by 12.0 percent compared to the same period of the previous year. Of total NPLs, 21.3 percent consisted of salary loans, 15.9 percent manufacturing loans, 14.4 percent construction loans, 12.6 percent wholesale and retail trade loans, and 11.3 percent mining and quarrying loans. The increase in NPLs in the banking sector was mainly driven by a 157.4 percent year-on-year rise in non-performing salary loans. In addition, the outstanding balance of non-performing household consumption loans increased by 297 percent, exerting further negative pressure. In contrast, non-performing loans in the mining sector declined by 24.8 percent compared to the same period of the previous year. As a result, the ratio of non-performing loans to total outstanding loans stood at 5.2 percent, decreasing by 0.5 percentage points from the same period of the previous year, but increasing by 0.4 percentage points from the previous quarter. The deterioration in loan quality from the previous quarter was mainly driven by increases in non-performing salary loans by 20.7 percent and mining sector loans by 13.5 percent.

56. Growth in individuals' domestic currency deposits remains strong. Total deposits in the banking sector reached MNT 28.5 trillion as of the

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

third quarter of 2025, increasing by 14.7 percent year-on-year. Of this, household deposits amounted to MNT 23.8 trillion, up by 15.3 percent from the same period of the previous year. Specifically, household deposits in MNT reached MNT 20.0 trillion, increasing by 14.8 percent year-on-year, while household foreign currency deposits reached MNT 3.8 trillion, rising by 18.0 percent. Meanwhile, total corporate deposits reached MNT 4.6 trillion, increasing by 11.8 percent year-on-year. The weighted average interest rate on newly attracted MNT deposits reached 11.9 percent in the third quarter of 2025, increasing by 0.3 percentage points from the same period of the previous year. The interest rate on foreign currency deposits rose to 4.8 percent, up by 1.0 percentage point year-on-year. Although household MNT deposits continue to grow, the pace of growth has been slowing.

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

The level of asset dollarization increased compared to the same period of the previous year. The share of foreign currency current accounts and deposits in the money supply reached 23.0 percent as of the third quarter of 2025, increasing by 1.2 percentage points year-on-year and by 0.3 percentage points from the previous quarter. The rise in foreign currency deposits by 18.4 percent was the main factor affecting the change in asset dollarization.

58. The weighted average interbank market interest rate remains close to the policy rate.

The weighted average interbank market interest rate remained around the policy rate. While the policy rate was maintained at 12 percent during the third quarter of 2025, the weighted average interbank market interest rate also stood at 12 percent. This represented an increase of 1.8 percentage points from the same period of the previous year, while remaining unchanged from the previous quarter.

59. The effective real interest rate spread between loans and deposits declined compared with the same period last year.

The spread between effective real lending and deposit interest rates narrowed compared to the previous year. The effective real lending interest rate of commercial banks reached 17.9 percent in the third quarter of 2025, increasing by 0.2 percentage points year-on-year and by 0.1 percentage point from the previous quarter. Meanwhile, the effective real deposit interest rate rose to 12.8 percent, increasing by 0.7 percentage points year-on-year and by 0.1 percentage point from the previous quarter. Consequently, the spread between real lending and deposit rates narrowed by 0.6 percentage points from the previous year, mainly due to deposit rates increasing faster than lending rates.

60. Credit expansion is showing growth.

Credit expansion has shown signs of recovery. In the third quarter of 2025, total loans reached 47.5 percent of GDP, increasing by 3.8 percentage points compared to the same period of the previous year. Although credit expansion slowed during 2022–2023, it began recovering in the second half of 2023. In addition, the banking sector's loan-to-deposit ratio reached 1.5 (150 percent) in the third quarter of 2025, increasing by 0.1 percentage point year-on-year but declining by 0.03 percentage point from the previous quarter. The increase in this ratio was mainly driven by growth in bank lending. A high loan-to-deposit ratio increases liquidity risk.

61. Banking sector profitability remains positive, although it has shown signs of moderating in recent quarters.

The profitability of the banking sector remains positive, although it has shown signs of slowing in recent quarters. Specifically, the banking sector's return on assets (ROA) stood at 1.6 percent in the third quarter of 2025, decreasing by 0.7 percentage points compared to the same period of the previous year. Although ROA declined year-on-year, it remained positive,

indicating that the banking sector continues to operate profitably. The decline in ROA may have been influenced by the increase in non-performing loans.

62. Credit growth of non-bank financial institutions remains high. The growth of non-bank financial institution (NBFI) lending remains high. As of the third quarter of 2025, a total of 577 non-bank financial institutions were operating, with

total outstanding loans reaching MNT 7.0 trillion, up by 34.1 percent from the previous year. Of the total loans issued, 92.8 percent were extended to individuals, while 7.2 percent were issued to legal entities. In the third quarter of 2025, 93.2 percent of all NBFI borrowers, or 2.6 million customers, received fintech loans totaling MNT 2.1 trillion. The weighted average interest rate on loans issued by NBFIs reached 3.7 percent per month, increasing by 0.3 percentage points year-on-year.

Table 3.1. 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	40.9
	II	45.4	11.1	1.2	114	38.1
	III	45.4	11.4	1	104	38.6
	IV	45	11.8	0.5	95	48.0
2021	I	39.1	11.5	1.1	95	48.0
	II	42.4	10.3	2.2	100	53.3
	III	44.8	9.9	1.5	105	48.8
	IV	46.2	10	0.7	110	53.3
2022	I	39.9	9.7	2	123	44.2
	II	42.4	9	3.5	128	45.1
	III	41.5	11.2	1.3	134	42.0
	IV	40.1	9.2	2.8	127	56.7
2023	I	32.3	9.6	2.4	122	48.3
	II	35.6	8.7	2.7	131	49.0
	III	36.3	8.5	2.4	131	50.7
	IV	38.1	7.5	2.6	124	57.8
2024	I	36.1	7.1	2.8	129	57.2
	II	41.5	5.9	3.4	139	51.7
	III	43.7	5.7	2.3	141	49.2
	IV	45.9	5.1	2.6	139	52.0
2025	I	42.9	5.3	2.4	144	49.2
	II	46.9	4.9	2.1	153	43.2
	III	47.5	5.2	1.6	150	43.3

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 and external debt

4. EXTERNAL SECTOR

OVERVIEW

The physical export volumes of key mining products such as copper concentrate and iron ore remained at the same level as the corresponding period of the previous year, indicating stability in production. However, amid global economic uncertainty reaching a historic high and weakening demand, a sharp decline in coal prices had a major negative impact on export revenues. On the other hand, the slowdown in domestic demand limited the growth of imports. Nevertheless, as the decline in export revenues was stronger, the current account deficit widened, increasing pressure on the balance of payments.

4.1. Foreign trade

63. Although the foreign trade balance showed a surplus, trade turnover decreased compared to the same period of the previous year. As of the third quarter of 2025, Mongolia traded with 154 countries worldwide, and although the trade balance recorded a surplus of 2.2 billion US dollars, total goods turnover amounted to 19.2 billion US dollars, decreasing by 5.6 percent compared to the same period of the previous year.

64. Growth in export revenue slowed. As of the first three quarters of 2025, Mongolia's exports reached 10.7 billion US dollars, decreasing by 9.1 percent compared to the same period of the previous year. This decline was mainly driven by the drop in coal prices on the international market and the decrease in the physical volume of gold exports. Going forward, although the physical volumes of major export products are expected to remain stable at high levels, the border prices of major products other than copper concentrate are expected to decline due to the influence of the external environment.

65. Although the physical volume of coal exports increased, the border price declined due to external factors. In addition to increased coking coal extraction in China, major steel mills slowing down their coking coal purchases negatively affected Mongolia's coal exports. As a result, as of the first three quarters of 2025, coal exports reached 62.6 million tons, increasing by 2.3 percent compared to the same period of the previous year, while the border price decreased by 40 percent compared to the same period of the previous year. Consequently, coal export revenue decreased by 44 percent, having a negative impact on the overall export growth. Going forward, although coal demand in the external environment is expected to remain

stable and physical volumes are expected to increase, border prices are not expected to recover.

66. Exports of copper concentrate and iron ore increased. As of the first three quarters of 2025, copper concentrate exports reached 1,647 thousand tons, increasing by 38 percent compared to the same period of the previous year, and iron ore exports reached 6,485 thousand tons, increasing by 18 percent compared to the same period of the previous year. This growth was driven by increased extraction and the high level of copper demand maintained on the global market. Going forward, extraction of copper concentrate and iron ore is expected to grow steadily, and refined copper prices on the global market are showing an upward trend.

67. Exports of certain livestock-derived products decreased due to the export ban. Due to seasonal factors, as of the first half of 2025, cashmere exports decreased by 36 percent compared to the same period of the previous year. Also, due to weak activity in the processing industry, exports of hides and skins decreased by 45 percent.

68. Trading activity at the mining products exchange weakened. As of the first three quarters of 2025, the Mining Products Exchange traded 12.5 million tons of coal worth 851 million US dollars, 4,152 thousand tons of iron ore and concentrate worth 257 million US dollars, and 31.7 thousand tons of copper concentrate worth 70 million US dollars. Trading activity continuously declined starting from the third quarter of 2024, dropping to 85 trades in the second quarter of 2025. However, due to government measures implemented to boost exports (insert...), mining exchange trading began to recover from the third quarter of 2025.

69. Import demand weakened. In 2024, economic activity was high, household income and credit increased, which improved the purchasing power of individuals and businesses, and the flow of imported goods was also high. However, in the third quarter of 2025, imports decreased by USD 74 million, or 0.9 percent, compared to the same period of the previous year, and import demand weakened.

70. Considering the annual change in imports by product group, consumer goods had a positive impact of 1.5 percentage points on total import growth, while investment machinery and equipment and construction materials had a negative impact of 0.9 percentage points, and industrial inputs had a negative impact of 1.4 percentage points.

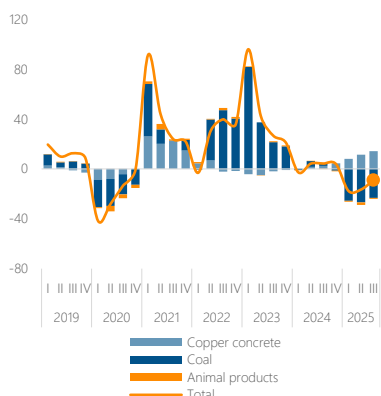
71. Consumer product imports have remained high. Imports of consumer products reached USD 3.1 billion, increasing by 4 percent compared to the same period of the previous year. This growth was mainly driven by imports of passenger cars and food products. As of the third quarter of 2025, household food consumption increased, and food imports rose by 5.5 percent. Meanwhile, due to the significant increase in passenger car imports in the first half of 2025, passenger car imports reached USD 861 million in the third quarter, up 7 percent year-on-year. The increase in passenger car imports in the first half of the year was associated with the decision not to issue new state registration license plates to vehicles older than 10 years starting from June 1, 2025. However, net passenger car imports amounted to USD 199 million in the third quarter, which was 43 percent lower than the same period of the previous year. This reflected, on the one hand, the implementation of the decision not to issue license plates to older vehicles in the capital city, and on the other hand, a strong base effect, as passenger car imports had doubled in the third quarter of 2024.

72. Imports of construction materials increased due to the intensification of construction work on projects. As of the third quarter of 2025, imports of construction materials reached USD 1,132 million, an increase of 10 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 Tuul 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. The import price index stood at 100 percent, declining by 3.2 percent compared to the same period of the previous year. The easing of price growth in major trading partner countries contributed to subdued growth in import prices. In particular, inflation in China, which accounts for 40 percent of total imports, stood at -0.2 percent in the third quarter of 2025. Meanwhile, inflation in Russia, which accounts for 24 percent of total imports, reached 8.3 percent in the third quarter of 2025; however, AI-92 gasoline and diesel fuel account for 21 percent and 47 percent, respectively, of imports from that country, and price increases for these petroleum products have remained low. According to the agreement signed with the Russian Rosneft company in 2022, AI-92 fuel is purchased at a stable price, and the decline in the price of diesel fuel in Russia has contributed to the low growth in the price of imported goods.

Figure 4.1. Exports

1. Export growth (percent)



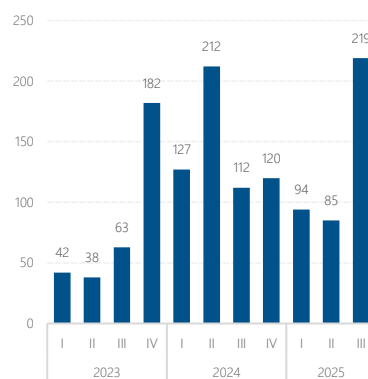
Source: MCGA

2. Export volumes of main commodities

Product	2024.09	2025.09	Growth
Copper concentrate /thousand.ton/	1,186	1,647	38%
Coal /million ton/	61.2	62.6	2.3%
Gold /kg/	9.0	6.8	-25%
Iron ore /thousand.ton/	5,461	6,485	18%
Crude oil /thousand.bbl/	3,100	2,679	-14%

Source: MCGA

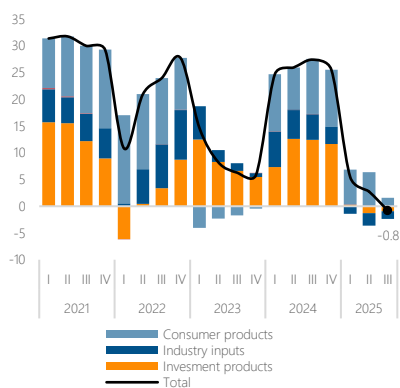
3. Coal trades at the Mining commodity exchange



Source: MCGA

Figure 4.2. Imports

1. Annual growth in imports (percent)



Source: MCGA

2. Import price index (percent, YoY)



Source: NSO

3. Imports of main products (USD million)

Products	2024.III	2025.III	Change
Passenger car	804	861	7.1%
Food	839	885	5.5%
Construction material	1,028	1,132	10.1%
Equipment	1,599	1,719	7.5%
Fuel	1,452	1,411	-2.8%
Heavy truck	566	414	-27.0%
Total	8,608	8,534	-0.9%

Source: MCGA

4.2. Balance of payments and external debt

74. The improvement in the services and primary income accounts contributed to the narrowing of the current account deficit. Imports of goods and services contracted in the first three quarters of this year, and the deficits in the services and primary income accounts narrowed compared to the same period of the previous year. In addition, exports, which had sharply declined in the first half of the year, recovered and reached USD 10.3 billion, resulting in the current account deficit narrowing to USD 1.6 billion, down by 8 percent from the same period of the previous year.

75. The services account balance improved, was primarily driven by a reduction in deficits related to transport and construction services. As of 2025Q3, the services account recorded a deficit of USD 2.1 billion, a decrease of USD 239 million compared to the same period of the previous year. Of the total services deficit, 36 percent (USD 0.7 billion) was attributed to travel services, 23 percent (USD 0.5 billion) to other business services, and 20 percent (USD 0.4 billion) to transport services. Compared to the same period last year, transport service expenses declined by USD 67 million, while revenues increased by USD 156 million, resulting in a USD 223 million (35 percent) reduction in the transport services deficit. Additionally, expenditures on construction services fell from USD 160 million in the same period of the previous year to USD 65 million, further contributing to the overall improvement in the services account.

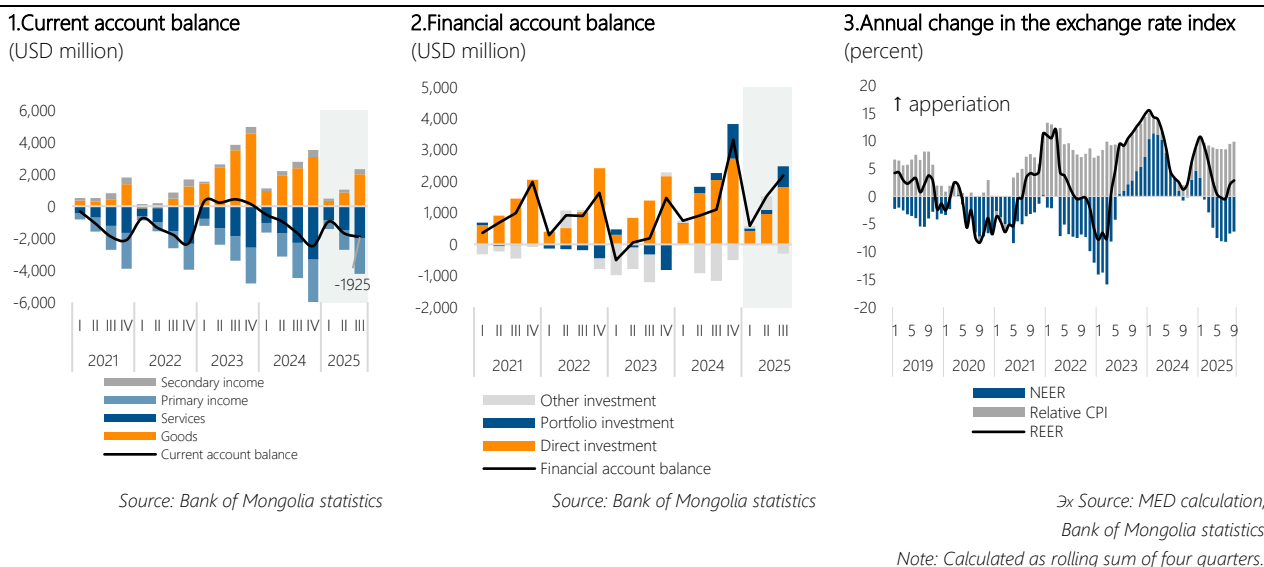
76. The travel services deficit increased compared to the same period of the previous year. The travel services account recorded a deficit of USD 741 million, representing a 7 percent increase compared to the same period of the previous year. Expenditures on medical-related travel services fell by USD 77 million (47 percent) year-on-year, but spending on education-related services increased by USD 79 million and other personal travel expenses rose by USD 131 million. The number of

inbound tourists reached 687 thousand in the first three quarters of 2025, marking an increase of 93 thousand (15 percent) compared to the same period of the previous year. This growth was primarily driven by increases in arrivals from China (up by 43 thousand), Russia (9.4 thousand), and Japan (8.3 thousand). Meanwhile, the number of Mongolian nationals traveling abroad for tourism purposes rose to 299 thousand during the same period, representing a year-on-year increase of 67 thousand (29 percent).

77. The financial account surplus increased, primarily driven by improvements in the currency and deposit account. As of the first three quarters of 2025, the financial account recorded a surplus of USD 2.2 billion, representing an increase of USD 0.9 billion year-on-year. This growth was primarily attributable to a base effect, as the first half of the previous year experienced outflows in the currency and deposits account related to the central bank's payment of USD 0.6 billion under a swap arrangement.

78. Inflows of foreign direct investment declined. Total foreign direct investment (FDI) inflows amounted to USD 2,350 million as of 2025Q3, representing a 24 percent decrease (USD 746 million) compared to the same period of the previous year. The contraction was primarily driven by a sharp reduction in mining sector FDI, which fell by USD 788 million (31 percent) to USD 1,744 million. In addition, foreign direct investment in professional, scientific, and technical activities declined by USD 43 million, while investment in the trade sector decreased by USD 4 million. On the other hand, foreign direct investment in financial and insurance activities increased by USD 87 million, and investment in administrative and support service activities rose by USD 34 million.

Figure 4.3. Current and financial account balance, exchange rate



79. Gross international reserves increase, and the MNT appreciated against the USD. Gross international reserves stood at USD 5,875 million at the end of the third quarter of 2025, an increase of USD 1,212 million year-on-year, by USD 668 million compared to the previous quarter. In the third quarter of 2025, the central bank sold USD 4,647 million to the market through auctions, which was USD 40 million higher than the same period of the previous year. As a result, the official exchange rate of the MNT against the USD, which had sharply depreciated by MNT 160 during the first half of the year, stabilized at MNT 3,593 per USD by the end of the third quarter of 2025. The nominal effective exchange rate index, weighted by trading partner currencies, dropped by 6.4 percent year-on-year, while the real effective exchange rate index, adjusted for relative price changes, appreciated by 5.5 percent over the same period.

80. The widening of the current account deficit was driven by a decline in national savings. The current account balance can also be expressed as the difference between national savings and investment. Over the past decade, Mongolia's investment needs have consistently exceeded domestic savings, resulting in a current account deficit in all years except 2023. As of 2025Q3, the four-quarter rolling current account deficit stood at

11.1 percent of GDP, up 9 percentage points from the same period of the previous year. This deterioration reflects a 0.9 percentage point decline in savings, primarily due to increased consumption, alongside a 2.2 percentage point increase in investment. For both the public and private sectors, the contraction in savings exceeded the increase in investment, contributing to the overall widening of the deficit.

81. The net international investment position remains weak. The net international investment position, which reflects the difference between Mongolia's financial assets held abroad and the country's external liabilities, reached USD -45.7 billion by the end of 2025Q3, equivalent to -190 percent of GDP. Foreign-owned financial assets totaled USD 57.5 billion, which is 4.8 times greater than Mongolia's financial assets held abroad. Of the foreign-owned financial assets, 61 percent (USD 35.1 billion) constitute direct investment, while 25 percent (USD 14.5 billion) are loans. Conversely, 49 percent (USD 5.9 billion) of Mongolia's financial assets held abroad are reserve assets.

82. Gross external debt of both the public and private sectors increased. Mongolia's total gross external debt reached USD 40.4 billion at the end of 2025Q3, rising by USD 0.8 billion, or 2.0 percent, compared to the previous quarter. By sector, the

external debt of the central bank declined by USD 145 million, while government external debt decreased by USD 67 million compared to the previous quarter. In contrast, the external debt of deposit-taking institutions increased by USD 307 million, and the external debt of other private sector entities rose by USD 443 million.

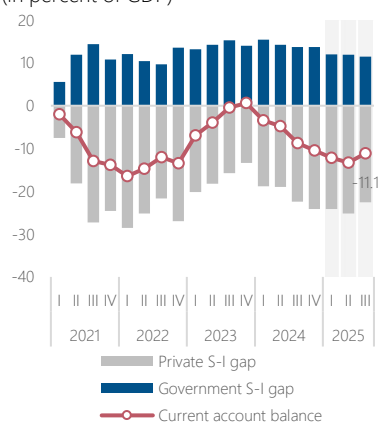
83. The majority of the increase in private sector external debt was driven by the financial and mining sectors. The mining sector accounted for 64 percent (USD 669 million) of the growth in private sector external debt, while the financial and insurance sector contributed 37 percent (USD 379 million). Among other sectors, external debt in administrative and support services, transportation, information, and communications increased compared to the previous quarter, while external debt in manufacturing, energy, and real estate sectors declined.

84. The majority of the total external debt is comprised of direct investment and loans. Of the total external debt, 45 percent (USD 18.3 billion) represents intercompany lending, 36 percent (USD 14.5 billion) consists of loans, and 11 percent (USD 4.5 billion) comprises bonds. Notably, 45 percent of the loan is attributable to government and central bank borrowings, while the remaining 55 percent pertains to private sector loans.

85. 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.

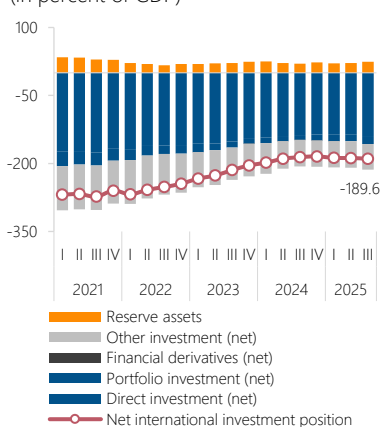
Figure 4.4. Current account, net international investment position, external debt

1. Current account balance
(in percent of GDP)



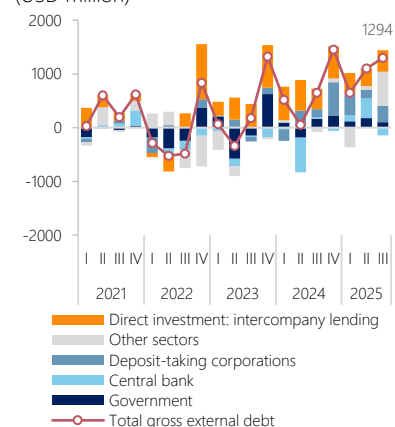
Source: MED calculation, Bank of Mongolia statistics

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



Source: MED calculation, Bank of Mongolia statistics

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



Source: MED calculation, Bank of Mongolia statistics

Note: Calculated as rolling sum of four quarters.

Figure 4.5. External debt sustainability

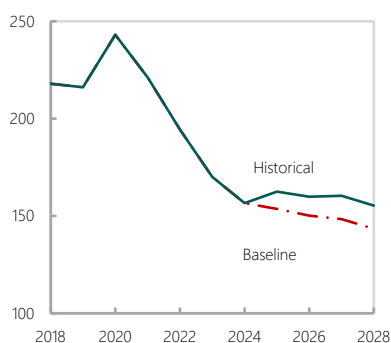
External debt												
(in percent of GDP, unless otherwise indicated)												
	Actual							Projections				Debt-stabilizing non-interest current account ¹
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	
External debt: Baseline	217.9	216.1	243.1	221.1	194.4	170.1	156.5	162.4	159.9	160.4	155.3	-10.5
Change in external debt	-21.5	-1.7	26.9	-21.9	-26.7	-24.3	-13.6	5.9	-2.5	0.5	-5.1	
Identified net debt-creating flows	-20.9	-8.4	14.9	-25.2	-11.4	-32.2	-17.6	2.4	-5.5	-3.9	-6.2	
Non-interest current account deficit	7.7	5.5	-4.9	5.6	4.9	-10.9	-1.3	3.3	1.8	2.8	4.6	
Net non-debt creating capital inflows	-6.9	-7.8	-4.6	-7.6	-0.8	-1.2	-2.0	-1.4	-1.3	-1.2	-1.1	
Automatic debt dynamics ^{1/}	-21.8	-6.0	24.4	-23.2	-15.6	-20.1	-14.3	0.6	-6.0	-5.5	-9.7	
Contribution from nominal interest rate	9.0	9.7	10.0	8.2	8.5	10.3	10.5	10.0	9.1	8.4	7.0	
Contribution from real GDP growth	-16.2	-11.3	10.5	-3.5	-9.9	-12.2	-7.4	-8.1	-8.5	-9.2	-9.3	
Contribution from price and exchange rate changes	-14.7	-4.5	3.9	-27.9	-14.2	-18.2	-17.3	-1.3	-6.6	-4.6	-7.5	
Residual	-0.6	6.6	12.1	3.2	-15.3	7.9	4.0	3.5	2.9	4.4	1.2	
External debt-to-exports ratio (in percent)	374.5	364.8	423.3	377.7	303.4	223.0	228.2	255.1	246.6	257.9	264.7	
External debt: Scenario with key variables at their historical averages ^{2/}								153.6	150.1	148.4	143.4	-6.6
								historical average	standard deviation			
Real GDP growth (in percent)	7.7	5.6	-4.6	1.6	5.0	7.4	5.1	3.8	3.7			
Nominal external interest rate (in percent)	4.3	4.8	4.3	3.9	4.3	6.3	7.2	4.8	1.1			
Growth of exports (USD, in percent)	12.8	9.7	-9.1	17.1	22.8	41.1	5.3	11.4	16.1			
Growth of imports (USD, in percent)	37.5	3.1	-20.6	26.1	30.9	11.8	21.3	10.6	20.9			
Non-interest current account balance	-7.7	-5.5	4.9	-5.6	-4.9	10.9	1.3	-0.4	5.7			
Net non-debt creating capital inflows	6.9	7.8	4.6	7.6	0.8	1.2	2.0	3.5	3.9			

^{1/}Change in external debt driven by variables including GDP growth, external interest rate, and exchange rate

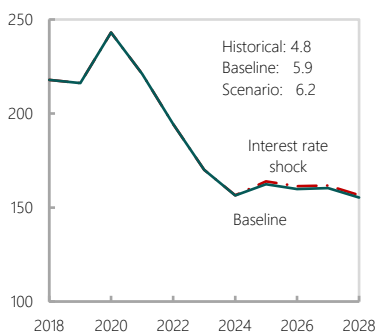
^{2/}The key variables include non-interest current account balance, net non-debt creating capital inflows, real GDP growth, GDP deflator, nominal external interest rate.

Historical averages and standard deviations are calculated over the past 10 years.

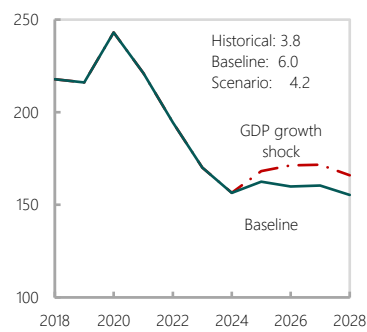
1. Baseline and historical scenarios



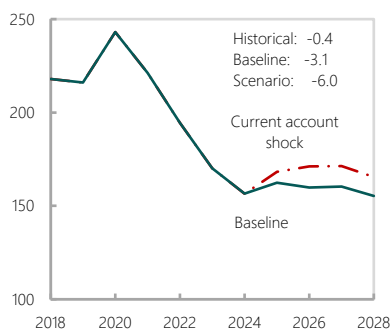
2. Interest rate shock



3. Growth shock

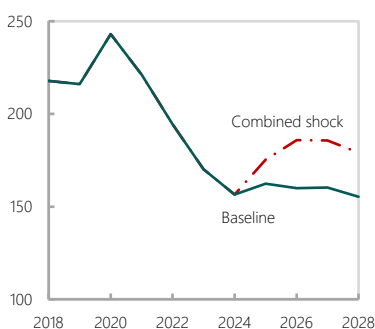


4. Non-interest current account shock

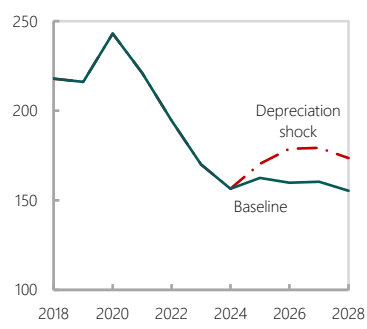


5. Combined shock

(interest rate, current account, GDP growth)



6. Exchange rate depreciation shock



Source: MED calculation

Note: Historical averages and standard deviations are calculated over the past 10 years.

Permanent 1 standard deviation shocks applied to current account balance, GDP growth rate and permanent increase of 100 bps applied to interest rate and depreciation of 10 percent is applied to exchange rate.

CHAPTER V

WORLD ECONOMY

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

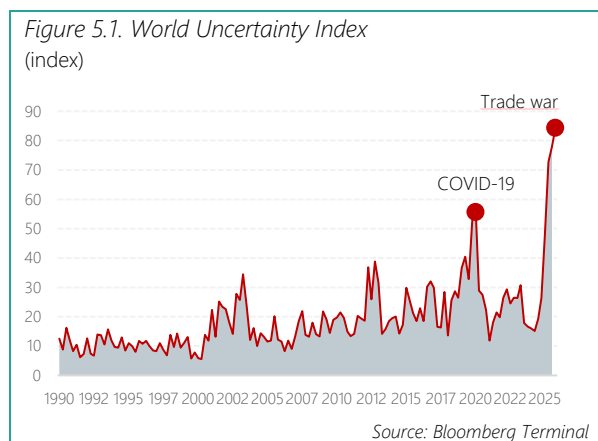
5. WORLD ECONOMY

OVERVIEW

Global uncertainty has reached a historical high, driven by trade tensions, geopolitical frictions, and policy instability. As a result, investors have increased their preference for safe-haven assets, boosting demand for gold and driving up its price, while weaker global economic activity has reduced coal demand and led to lower prices. Meanwhile, supported by a temporary pause in tariffs and expansionary fiscal policies, the IMF has revised upward its 2025 global growth outlook.

5.1. World Economy

86. Global uncertainty has increased amid the ongoing trade war. In recent years, policy and structural shifts across countries have reshaped trade and investment flows, amplifying uncertainty in the global political and economic environment. Notably, the World Uncertainty Index reached a historic high in the third quarter of 2025 (Figure 5.1).



87. The IMF raised its global growth projection for 2025. In October, the IMF revised its forecast for 2025 global economic growth to 3.2 percent. Although this remains below the 2024 growth rate of 3.3 percent and the pre-pandemic average of 3.7 percent, it is higher by 0.2 percentage points compared to the July 2025 forecast and by 0.4 percentage points compared to the April 2025 forecast. The upward revision was driven by factors such as the temporary postponement of tariffs between the United States and China, increased front-loading of purchases in the first half of the year ahead of potential tariff hikes, recovery in financial markets, and fiscal expansion in major economies including the United States, China, and Germany. Although the economic impact of the trade war proved smaller than initially expected (in April 2025, the IMF reduced its global growth projection to 2.8 percent, which was 0.5 percentage

points lower than the January 2026 projection), it is noteworthy that the current forecast remains 0.2 percentage points lower than the projection for the same period of the previous year. The IMF projects that global economic growth will slow to 3.1 percent in 2026.

88. China's economic growth increased by 4.8 percent in the third quarter of 2025. The downturn in China's real estate sector and weak domestic demand constrained economic activity, resulting in economic growth falling below the government's target level of 5 percent. The IMF projects that China's economic growth will moderate to 4.8 percent in 2025 and 4.2 percent in 2026.

89. The euro area economy grew by 1.4 percent in the third quarter of 2025. Industrial activity in Germany, which accounts for about 30 percent of the area's output, remains subdued, constraining growth. Amid the trade war and heightened uncertainty, economic growth is expected to be maintained at 1.2 percent in 2025, while supported by real wage growth and Germany's fiscal expansion, the IMF projects that euro area economic growth will reach 1.1 percent in 2026.

90. The U.S. economy expanded by 2.3 percent in the third quarter of 2025, supported by increases in household consumption, exports, and government spending. As trade tensions temporarily eased, fiscal expansion policies were implemented, and financial markets recovered, the IMF revised up its forecast for U.S. economic growth to 2.0 percent in 2025 and 2.1 percent in 2026, representing upward revisions of 0.1 percentage points from previous projections. Nevertheless, policy uncertainty, trade barriers, and a slowdown in labor market growth have resulted in economic growth remaining weaker compared to the 2024 level (2.8 percent).

5.2. Commodity market developments

91. The average price of refined copper on the London Metal Exchange reached USD 9,764 in the first 11 months of 2025, representing an increase of 6.8 percent compared to the previous year. Fluctuations in copper inventories held by major industrial producers, driven by U.S. tariff policy decisions, have affected global copper prices. Despite rising uncertainty in the global economy, copper demand is expected to increase further due to the rapid growth of electric vehicles, renewable energy, data processing centers, and the technology sector, supporting higher prices.

92. The average price of premium Australian coking coal on the Singapore Exchange reached USD 187 in the first 11 months of 2025, declining by 23.2 percent compared to the previous year. Increased steel supply to India, the world’s second-largest consumer of coking coal, along with slower procurement by major Chinese steel producers, were the main factors behind the decline in coking

tensions are expected to place further downward pressure on coal prices.

93. The average gold price on the London Metal Exchange reached USD 3,362 in the first 11 months of 2025, increasing by 40.7 percent compared to the previous year. The decision by the Federal Reserve System to lower policy interest rates in 2024 boosted demand for gold and contributed to higher prices. As global uncertainty continues to rise, gold prices are expected to maintain their upward trend.

94. The price of iron ore (62 percent grade) averaged USD 101 in the first 11 months of 2025, decreasing by 7.9 percent compared to the previous year. Increased supply from countries such as Australia and Brazil, together with the downturn in China’s real estate sector, were the main factors driving iron ore prices downward. Since China’s property sector is unlikely to recover in the short

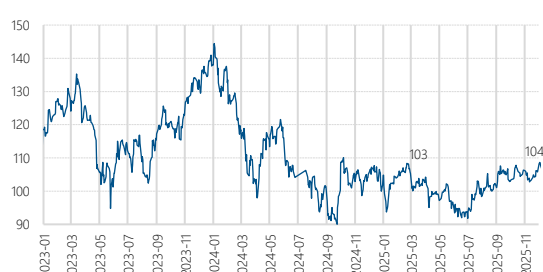
Figure 5.2. Commodity prices

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



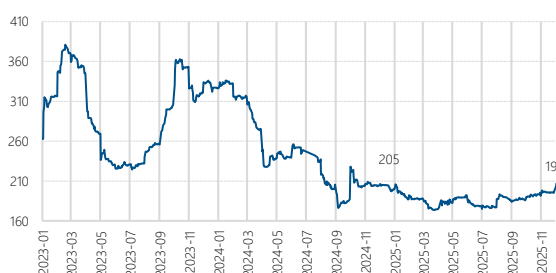
Source: Bloomberg terminal

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



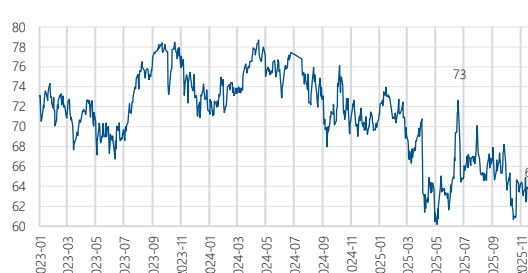
Source: Bloomberg terminal

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



Source: Bloomberg terminal

4. Brent oil price (\$/barrel)



Source: Bloomberg terminal

coal prices. Growing global uncertainty and trade

term and mining output in Australia and Brazil is

expected to continue rising steadily, iron ore prices are projected to decline further.

95. The average price of Brent crude oil reached USD 69 in the first five months of 2025, declining by 7.9 percent from the end of the previous year. Increased oil production in the United States, Canada, and Brazil, together with weak demand from China, were the main contributors to the decline in oil prices. Oil prices are expected to face further downward pressure due to geopolitical uncertainty and the slowdown in the global economy caused by trade tensions.

5.3. Indexes updated globally

96. Fraser economic freedom index:

According to the Economic Freedom of the World Index published annually by the Fraser Institute, Mongolia ranked 75th out of 165 countries in 2025, improving by one position compared to the previous year. A breakdown of Mongolia's assessment by category is presented below.

Figure 5.1. Mongolia's Scores and Rankings in the Economic Freedom of the World Index

Бүлэг	2024		2025	
	Score	Rank	Score	Rank
Size of Government	6.54▲	#91▼	6.75▲	#77▲
Legal System & Property Rights	5.85▲	#58▼	5.77▼	#60▼
Sound Money	7.51▲	#90▼	7.78▲	#83▼
Freedom to Trade Internationally	7.29▲	#80▼	7.28▼	#80▼
Regulation	6.49▲	#73▲	6.57▲	#71▼
Overall Index	6.74▲	#76▼	6.83▲	#75▲

In 2025, Mongolia recorded an overall score of 6.83 in the Economic Freedom of the World Index.

A closer examination by category shows that the Size of Government score improved by 0.21 points, resulting in an advance of 14 positions; the Sound Money score increased by 0.27 points, moving up 7 positions; and the Regulation score rose by 0.08 points, improving by 2 positions.

Although Mongolia's scores improved across these indicators, the country's overall ranking did not improve significantly, as other countries also enhanced their performance during the same period. The Economic Freedom of the World Index is calculated based on five major areas comprising 25 sub-components, with equal weight assigned to each area. These 25 sub-components are further disaggregated into individual indicators, which vary in number across sub-components.

For example, the Sound Money area is measured using only four quantitative indicators, whereas the Regulation area is assessed using 17 quantitative

and qualitative indicators. Consequently, sub-components with fewer indicators tend to have a greater impact on the overall index score. In this context, the inflation rate alone accounts for approximately 10 percent of the total index score.

In other words, improving inflation performance represents the most direct and effective way to enhance Mongolia's Economic Freedom Index score. Inflation is measured using the standard deviation of inflation over the past five years and the annual average inflation rate. Lower values are assessed more favorably, while higher values negatively affect the score.

In Mongolia's case, the annual average inflation rate reached 15.2 percent in 2022 (the 2024 Index results are based on 2022 data), which was a major factor contributing to the decline in the index score. However, in 2023 (the 2025 Index results are based on 2023 data), inflation decreased to 10.4 percent, representing a 4.8 percentage point reduction from the previous year, which contributed positively to the improvement of this indicator.

According to the index The highest scoring nations are Hong Kong, Singapore, New Zealand, Switzerland, the United States, Ireland, Australia and Taiwan (tied for 7th), Denmark, and the Netherlands. Countries leading in economic freedom typically have limited government intervention and well-established free-market systems.

For instance, Hong Kong and Singapore are highly competitive economies and major global business hubs, characterized by stable monetary policies and minimal government involvement, which together create a favorable environment for business operations and investment.

The lowest-rated countries are: Chad, Libya, Syria, Argentina, Myanmar, Iran, Algeria, Sudan, Zimbabwe, and Venezuela. These countries tend to experience high levels of corruption and bribery, weak rule of law, poor regulatory quality, and

extensive government intervention. In addition, economic instability, high inflation, and volatile exchange rates in these countries negatively affect living standards and hinder domestic economic

growth. Furthermore, extensive restrictions and protective measures on domestic and international trade further reduce economic freedom in these economies.

Box 4. Five-Year Development Guidelines for Mongolia for 2026–2030

At the plenary session of the State Great Khural held on 28 November 2025, the draft Resolution of the State Great Khural on “Approving the 5. Five-Year Development Guidelines for Mongolia for 2026–2030” was discussed and approved.

This policy planning document was developed in alignment with long- and medium-term policy documents, based on research and analysis, with measurable goals and objectives, indicators aligned with the intended goals, and results-oriented planning. Its development ensured broad-based participation and was carried out in cooperation with a total of 40 general budget governors.

The draft “5. Five-Year Development Guidelines for Mongolia for 2026–2030” is aimed at achieving “New Confidence – Radical Reform” and consists of eight policy directions: “Human Development”; “Social Development and Shared National Values”; “Economic and Infrastructure Development”; “Environment and Green Economy”; “Public Sector Productivity and Governance”; “Regional Development”; “National Competitiveness”; and “Science, Technology and Artificial Intelligence”. Within this framework, results have been defined at four levels, national, sectoral, general budget governor, and programme, together with indicators for measuring them. The alignment of these results indicators with the indicators of the United Nations Sustainable Development Goals represents an important step towards fulfilling Mongolia’s international commitments and, at the same time, improving the quality of the document’s formulation.

Within the framework of the above eight policy directions, the following ten national results have been defined and incorporated:

1. Eliminate disparities in the quality and accessibility of education; establish the performance framework of the health system; ensure equal access for every citizen to people-centred, accessible, quality health care and services without financial risk; increase average life expectancy by two years; prepare human resources in line with labour market demand; and increase the Human Development Index from 0.756 to 0.85.
2. Improve the coherence among labour relations, wages, and social insurance, and increase decent employment, thereby introducing the calculation of the share of the middle class, which is currently not calculated, and increasing it by 20 percent by 2030.
3. Increase citizen participation, civic enlightenment, and shared responsibility; ensure equal opportunities; strengthen national cultural immunity that values the mother tongue, history, and cultural heritage; consolidate unity and patriotism; and increase the indicator of shared national values from 49 percent in 2021 to 55 percent.
4. Improve quality of life through a healthy and safe living environment, affordable housing, and quality social protection services; support healthy and stable families; ensure guarantees for human rights; bring child development and protection to a new level; and introduce the calculation of the social well-being indicator, which is currently not calculated, and increase it by 20 percent.
5. Increase the level of processing in the manufacturing sector and enhance productivity and diversification, thereby maintaining sustainable economic growth, currently at 5.1 percent, at a stable level above 6 percent.
6. Ensure the balance of primary ecosystems; mitigate climate change; support the restoration and sustainable use of natural resources; introduce advanced environmentally friendly technologies; reduce pollution and waste generated from production and consumption; improve environmental quality standards; and increase the Environmental Performance Index from 37.2 to 59.0 points.
7. Reduce corruption; strengthen citizens’ trust in the judiciary and the justice system; increase transparency and accountability; improve defence and national resilience capacity; implement the “digital-first” principle; establish citizen-centred services; and improve Mongolia’s ranking in the good governance indicator from 114th place to 90th place.
8. Reduce regional and local development disparities, diversify local economies, and balance population migration, thereby increasing the local development indicator from 0.506 to 0.604.
9. Improve the business environment; reduce state participation in the market; support fair competition; protect the interests of entrepreneurs and investors; deepen tax and customs reforms; and improve Mongolia’s competitiveness ranking from 61st place to 50th place.

10. Increase the contribution of science, technology, and innovation to Mongolia's development; expand cooperation among the state, private sector, and research institutions; create opportunities to introduce research results, intellectual property, and new technologies into production and services; and increase the Global Knowledge Index from 47.6 to 52.4 points.

Appendix

Table 12. Selected economic indicators

SELECTED ECONOMIC INDICATORS							
	2020	2021	2022	2023	2024Q1	2024Q2	2024Q3
REAL SECTOR							
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
Contribution to real GDP growth (percentage points)							
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
PRICES							
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)							
GENERAL GOVERNMENT ACCOUNTS							
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
MONETARY SECTOR							
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)							
BALANCE OF PAYMENTS							
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
Exchange rate							
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 23. 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)						
Real GDP growth	-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)						
Contributions to real GDP growth							
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 34. General government accounts

GENERAL GOVERNMENT ACCOUNTS							
	2020	2021	2022	2023	2024Q1	2024Q2	2024Q3
	(in MNT billion)						
TOTAL REVENUE AND GRANTS	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
STRUCTURAL REVENUE AND GRANTS	9,464	12,711	17,127	23,295	7,322	14,199	21,290
Tax revenue	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
Non-tax revenue	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
TOTAL EXPENDITURE AND NET LENDING	13,904	15,630	18,160	22,509	5,695	12,911	19,822
Current expenditure	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
Capital expenditure and net lending	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
OVERALL BALANCE	-3,460	-1,324	362	1,878	1,978	2,036	2,528
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

Table 45. General government accounts (in percent of GDP)

GENERAL GOVERNMENT ACCOUNTS				
	2020	2021	2022	2023
	(in percent of GDP)			
TOTAL REVENUE AND GRANTS	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
STRUCTURAL REVENUE AND GRANTS	25.3	29.2	31.8	33.1
Tax revenue	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
Non-tax revenue	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
TOTAL EXPENDITURE AND NET LENDING	37.1	35.9	33.7	32.0
Current expenditure	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
Capital expenditure and net lending	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
OVERALL BALANCE	-9.2	-3.0	0.7	2.7
PRIMARY BALANCE	-6.7	-1.1	2.2	4.3
STRUCTURAL BALANCE	-11.9	-6.7	-1.9	1.1

Table 56. Balance of payments

BALANCE OF PAYMENTS										
	2023	2023	2023Q	2023Q	2024	2024Q	2024Q	2024Q	2025	2025Q
	Q1	Q2	3	4	Q1	2	3	4	Q1	2
(in USD million)										
I. CURRENT ACCOUNT	315	221	430	121	-537	-957	-1,701	-2,485	-959	-1,699
Goods	1,403	2,441	3,498	4,549	945	1,942	2,364	3,081	333	852
Exports F.O.B (credit)	3,349	6,738	10,316	13,914	3,431	7,443	11,064	14,750	2,852	6,261
Imports F.O.B (debit)	1,945	4,298	6,817	9,366	2,486	5,501	8,700	11,668	2,520	5,410
Services	-790	-1,374	-1,869	-2,592	-1,044	-1,692	-2,295	-3,317	-876	-1,487
Credit	240	640	1,204	1,587	272	627	1,225	1,604	318	837
Debit	1,030	2,014	3,072	4,179	1,317	2,319	3,520	4,922	1,194	2,324
Primary income	-434	-1,024	-1,538	-2,233	-606	-1,451	-2,185	-2,671	-556	-1,234
Credit	96	216	330	455	130	272	416	559	142	281
Debit	531	1,240	1,868	2,687	735	1,723	2,601	3,230	698	1,516
Secondary income	136	179	338	398	168	243	416	421	141	172
II. CAPITAL ACCOUNT	22	60	89	135	32	78	120	171	20	51
Credit	22	63	95	149	36	87	130	183	21	57
Debit	1	3	6	14	4	9	10	12	1	6
III. FINANCIAL ACCOUNT: net lending (+) / net borrowing (-)	501	-58	-189	-1,477	-752	-921	-1,107	-3,330	-595	-1,525
Direct investment (net)	-308	-848	-1,393	-2,172	-674	-1,632	-2,047	-2,727	-431	-970
Portfolio investment (net)	-173	101	331	818	-7	-206	-220	-1,105	-76	-129
Financial derivatives (net)	0	-1	-1	-2	8	0	-8	-13	8	15
Other investments (net)	982	690	875	-121	-79	917	1,168	515	-96	-440
Of which: Currency and deposits	474	135	345	354	-229	840	1,095	1,075	-131	55
Loans	80	-133	-117	-529	-89	-48	-187	-630	-133	-187
Trade credit and advances	428	688	647	54	239	125	260	70	168	-309
IV. Net errors and omissions	243	134	84	-276	126	-99	223	-393	-258	-327
<i>Overall balance</i>	80	474	791	1,457	373	-57	-251	622	-602	-450
V. Reserve assets	80	474	791	1,457	373	-57	-251	622	-602	-450
Reserve	77	456	760	1,398	359	-96	-307	540	-616	-492
IMF loan	-2	-17	-32	-59	-14	-38	-56	-82	-14	-42
Exceptional financing	0	0	0	0	0	0	0	0	0	0
Memorandum items:										
Nominal GDP (in USD million)	3,992	8,898	13,637	20,325	4,877	10,929	16,378	23,793	5,038	11,469
Gross official reserves (in USD million)	3,438	3,818	4,124	4,921	5,250	4,839	4,663	5,510	4,996	5,206
in months of imports of G&S	3.2	3.5	3.7	4.4	4.4	3.9	3.5	4.0	3.6	3.8
MNT/USD exchange rate (average)	3,499	3,482	3,475	3,466	3,392	3,386	3,384	3,390	3,454	3,511
MNT/USD exchange rate (eop)	3,518	3,433	3,460	3,411	3,376	3,381	3,381	3,420	3,488	3,581

Table 67. Balance of payments (in percent of GDP)

BALANCE OF PAYMENTS				
	2020	2021	2022	2023
	(in percent of GDP)			
I. CURRENT ACCOUNT	-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
II. CAPITAL ACCOUNT	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
III. FINANCIAL ACCOUNT: net lending (+) / net borrow	-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
IV. Net errors and omissions	-1.1	-1.4	-1.3	-1.4
<i>Overall balance</i>	5.9	-1.4	-4.2	7.2
V. Reserve assets	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
Memorandum items:				
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 78. Monetary sector

MONETARY SECTOR							
	2020	2021	2022	2023	2024Q1	2024Q2	2024Q3
	(in MNT billion)						
Net foreign assets	5,816	3,806	2,492	8,959	9,775	9,865	8,437
Net domestic assets	18,664	24,057	27,173	28,665	27,625	31,603	33,366
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
Broad money	24,481	27,863	29,665	37,624	37,400	41,467	41,803
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)						
Broad money	16.2	13.8	6.5	26.8	20.9	31.9	25.9
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)						
Contributions to broad money growth							
Broad money	16.2	13.8	6.5	26.8	20.9	31.9	25.9
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
Memorandum items:							
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

