



MINISTRY OF ECONOMY  
AND DEVELOPEMTNT

# MACROECONOMIC REPORT

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2025Q4

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APRIL 2026

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# MACROECONOMIC REPORT

## 2025 Q4

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## 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 improved compared to the same period of the previous year.** Nominal GDP reached MNT 89.9 trillion, increasing by 11.5 percent year-on-year, while real GDP reached MNT 34.3 trillion, growing by 6.8 percent compared to the same period last year. Sustained growth in the agriculture, manufacturing, and construction sectors, together with the recovery in the mining sector in the second half of the year, supported economic growth. However, contractions in other service activities and the trade sector weighed on overall growth momentum.

The mining sector began to recover in the second half of the year and reached 10.6 percent according to preliminary estimates, contributing 1.4 percentage points to overall economic growth. Growth was mainly driven by increased production of coal, copper, iron ore, fluor spar, and zinc concentrate, while gold and crude oil production limited growth. Meanwhile, the transportation sector also recovered in the second half of the year, in line with intensified mining activity—particularly due to increased coal transport by road—resulting in 4.8 percent growth and contributing 0.3 percentage points to economic growth.

Favorable spring conditions, along with normal livestock breeding and survival rates, supported the recovery of livestock activities, leading the agriculture sector to grow by 33.2 percent and contribute 2.9 percentage points to economic growth. In addition, the construction sector expanded by 15.9 percent, mainly driven by the construction of residential buildings, hospitals, schools, and kindergartens in Ulaanbaatar, as well as the Bagakhangai–Khushig Valley railway project. Furthermore, increased construction and major repair works boosted the production of non-metallic mineral products, while higher agricultural output supported food production, contributing to the recovery of the manufacturing sector and overall economic growth.

However, reduced hauling distances for coal exports lowered fuel consumption in the road transportation sector, while decreased automobile imports and the shift toward coal imports for solid fuel supply in Ulaanbaatar contributed to a contraction in wholesale and retail trade by 4.6 percent, reducing overall economic growth by 0.6 percentage points.

From the demand side, economic growth was driven primarily by net exports and household consumption. Continued strength in mining sector activity boosted exports, while declining imports further improved net exports, making them a key contributor to overall economic growth. In addition, despite a decline in government consumption, expansion in the labor market and sustained growth in real household income throughout the year supported an increase in household consumption, further underpinning overall growth.

By contrast, gross capital formation contracted and weighed on economic growth. Although stronger growth in residential construction and biological breeding assets supported fixed capital formation, the high base effect from the previous year's accumulation of machinery and equipment, together with a decline in inventories during the reporting period, led overall capital formation to shrink and constrained growth.

**Exports remained at the level of the same period of the previous year, but total merchandise trade declined due to a contraction in imports.** In 2025, Mongolia recorded a trade surplus of USD 4.4 billion; however, total trade turnover decreased by 1 percent compared to the previous year. While export volumes of coal increased, export revenues were adversely affected by a sharp decline in global prices. At the same time, exports of copper concentrate, iron ore, and agricultural products rose, and increased trading activity on the mining exchange helped offset the impact of falling coal prices. Imports declined by 2.6 percent in 2025, driven in part by reduced imports of investment products and industrial inputs that support economic activity and production. Additionally, a decline in passenger vehicle imports contributed to the contraction in consumer goods imports.

**Current account deficit widened amid a decline in export revenues.** Although export volume of key commodities such as coal, copper concentrate, and iron ore remained at same level as previous year, export revenues decreased, mainly due to a decline in coal prices. The drop in exports led to a widening of the current account deficit, despite a slowdown in overall import growth.

**The budget amendment has limited the growth of consolidated budget expenditures.** According to the preliminary year-end performance for 2025, consolidated budget balanced revenue reached MNT 30.0 trillion, increasing by MNT 0.4 trillion (1.3 percent) compared to the previous year. This growth was mainly driven by higher revenues from personal income tax, social insurance contributions, and non-tax revenues. On the other hand, total budget expenditure amounted to MNT 31.3 trillion, up by MNT 0.7 trillion (2.3 percent) from the previous year. The increase in current expenditure was primarily attributable to higher salaries for public sector employees, as well as increases in pensions and social welfare benefits financed through social insurance and welfare funds. As a result, the consolidated budget recorded a balanced budget deficit of MNT 1.2 trillion based on the preliminary year-end execution for 2025.

**Inflation stood at 7.5 percent at end 2025, remaining within the central bank's target range.** Demand side inflation showed a gradual easing trend, while supply driven inflation increased, primarily due to rising prices of food items such as meat and vegetables. In contrast, price growth for imported goods and for non-food domestic goods and services moderated. The central bank increased the policy rate by 2 percentage points in March 2025 and subsequently maintained it at 12 percent.

**Credit growth continued to decelerate.** Annual credit growth in the commercial banking sector slowed to 18.9 percent by end 2025. In terms of newly extended loans, business lending remained relatively strong, while the growth of consumer loans declined. Money supply growth regained momentum, reaching 10.6 percent, with domestic credit continuing to be the main contributing factor. The volume of non-performing loans in the banking sector increased by 18.8 percent compared to the same period of the previous year. Meanwhile, total deposits grew by 16.4 percent at end 2025, with most of the increase driven by local currency deposits held by households.

**Although exports remained at the level of the previous year, total foreign trade turnover declined due to lower imports.** In 2025, Mongolia recorded a foreign trade surplus of USD 4.4 billion; however, total trade turnover decreased by 1 percent compared to the previous year. Exports remained broadly stable compared to the previous year. Although the physical volume of coal exports increased, the sharp decline in global coal prices negatively affected export revenues. Meanwhile, increases in exports of copper concentrate, iron ore, and agricultural products, together with more active trading on the mining commodity exchange, helped offset the adverse impact of falling coal prices. Imports declined by 2.6 percent in 2025, mainly driven by lower imports of investment goods and industrial intermediate inputs that support economic activity and production. In addition, the decline in passenger vehicle imports contributed to the reduction in consumer goods imports.

## NEAR-TERM OUTLOOK

**Global uncertainty is expected to remain elevated.**

The global uncertainty index reached a historical high in the third quarter of 2025 and, despite a slight moderation in the fourth quarter, remained four times above its average level over the past decade. The potential resurgence of trade tensions poses risks to global economic activity and could contribute to higher inflation. Furthermore, risks stemming from economic and geopolitical instability, including the downturn in China's real estate sector, the Russia-Ukraine war, and instability in the Middle East, could weigh on the global economic outlook.

**Economic growth is projected to reach around 5.4 percent in 2026.** Sectoral developments suggest that continued growth in the agriculture and construction sectors, together with a recovery in the trade and service sectors, will support overall economic growth. In addition, higher copper and gold content in Oyu Tolgoi concentrate production

is expected to further support growth amid strong global demand for these commodities. On the demand side, investment in major projects and net exports are expected to remain the main drivers of economic growth. Although credit expansion is projected to remain at levels comparable to the previous year and continue supporting domestic economic activity, rising inflationary pressures are likely to gradually slow the pace of final consumption growth relative to the previous year.

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

# CHAPTER I

## REAL SECTOR

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

## 1. REAL SECTOR

### OVERVIEW

Economic activity remained resilient, from the supply side, growth in the mining, agriculture, and construction sectors supported overall economic expansion, while from the demand side, household consumption and net exports contributed positively to growth. Labor force participation remained elevated at about 62 percent, together with rising rural household income relative to the same period of previous year, contributed to stronger private consumption. However, household real income growth moderated to 5.8 percent in 2025Q1, constrained by accelerating inflation. Driven by robust employment and rising investment, potential economic growth reached 5 percent, with the output gap turning negative at 0.6 percent.

## 1.1. Aggregate supply

### 1. Economic growth reached 6.8 percent.

Nominal GDP amounted to MNT 89.9 trillion in 2025, increasing by 11.5 percent year-on-year, while real GDP reached MNT 34.3 trillion, growing by 6.8 percent compared to the same period last year. Economic growth rose by 1.7 percentage points from the same period of the previous year, mainly supported by the recovery in the agricultural sector and sustained growth in the mining, construction, and manufacturing sectors, while the contraction in the trade sector weighed on growth.

### 2. Growth in the mining sector recovered to 10.6 percent, contributing 1.4 percentage points to overall economic growth.

The sector recorded modest growth of 1.1 percent in the first half of the year but recovered in the second half, driven by an increase in coal export volumes. In addition, copper concentrate production increased by 36 percent year-on-year and rose by 42.2 percent during the first three quarters of the year, supported by underground mining operations at Oyu Tolgoi, thereby contributing to mining sector growth. Growth in iron ore production was sustained, reaching 8.8 million tons—an increase of 31.8 percent compared to the same period of the previous year. Although coal production contracted during the first three quarters of the year, a recovery in the fourth quarter brought total output to 95.5 million tons, reflecting a modest increase of 0.4 percent year-on-year. Gold production, which had declined for eleven consecutive quarters, recovered to 13.1 tons, increasing by 4.1 percent. In contrast, crude oil production declined for eight consecutive quarters to 3.8 million tons, weighing on overall mining sector growth.

### 3. The non-mining sector grew by 6.3 percent, contributing 5.4 percentage points to overall

growth. Growth in the agricultural sector remained strong, while expansion in the construction, manufacturing, and energy sectors accelerated. Although the pace of growth in service sectors slowed gradually, the trade sector recorded a contraction by the end of the year.

### 4. Growth in the agricultural sector remained robust.

The number of surviving livestock reached 21.7 million (livestock survival rate of 96.5 percent), increasing by 5.5 million heads compared to the same period of the previous year, while abnormal livestock losses declined by 9 million heads to 359 thousand. As a result, growth momentum in the livestock sector—accounting for around 90 percent of the agricultural sector—remained strong. However, in the crop sector, below-average rainfall in major agricultural regions during the first half of the year led to declines in harvest volumes compared to the previous year, with grain output decreasing by 148.6 thousand tons, potatoes by 137.3 thousand tons, vegetables by 42.5 thousand tons, and fodder crops by 61 thousand tons. Overall, preliminary estimates indicate that the agricultural sector grew by 33.2 percent in 2025, broadly in line with projections, contributing 2.9 percentage points to total economic growth.

### 5. Growth in the industrial sector<sup>1</sup> accelerated.

Growth in the manufacturing sector intensified, expanding by 10.0 percent in 2025. This was mainly supported by increased production of non-metallic mineral products<sup>2</sup> and food products, which were the key drivers of manufacturing sector growth.

Growth in the energy sector remained stable, expanding by 10.2 percent and contributing 0.2 percentage points to overall economic growth. This was largely driven by increased production from

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<sup>1</sup> The industrial sector comprises mining, manufacturing, and electricity and water supply sectors. In this section, industrial activities excluding the mining sector are analyzed.

<sup>2</sup> The production of non-metallic mineral products includes the manufacture of cement, lime, concrete, and other cement- and gypsum-based materials, as well as stone processing, stone products, refractory materials, and construction clay products.

newly commissioned thermal power plants such as Toson and Booroljut. For instance, electricity generation reached 9.6 billion kWh, increasing by 10.1 percent year-on-year, while thermal energy production reached 17.3 million Gcal, rising by 8.5 percent, maintaining stable growth in the energy sector.

The construction sector expanded by 15.9 percent in 2025, supported by continued construction of hospitals, schools, and kindergartens in Ulaanbaatar, as well as the Bagakhangai–Khushig Valley railway project. In addition, the construction of a 70 MW thermal power plant in Selenge aimag and road infrastructure projects in Dornod aimag further contributed to sectoral growth.

**6. Growth in the services sector reached 2.0 percent in 2025, increasing from the previous quarter.** The services sector is composed of transportation, information and communications, trade, and other service activities.

The transportation sector grew by 4.8 percent in 2025, contributing 0.3 percentage points to economic growth. Total freight transportation reached 146.4 million tons across all modes, increasing by 10.3 percent compared to the previous year. Of this, railway freight transport reached 50.0 million tons (up 8.7 percent), road freight transport reached 96.5 million tons (up 10 percent), and air cargo transport reached 12.5 thousand tons (up 20 percent). In terms of composition, 65.9 percent of total freight was transported by road, 34.1 percent by rail, and 0.01 percent by air.

The information and communications sector expanded by 7.2 percent, while other service activities moderated, growing by 1.5 percent.

**7. The wholesale and retail trade sector contracted by 4.6 percent in 2025, reducing overall economic growth by 0.6 percentage points.** Nominal sales revenue in the trade sector reached MNT 69.3 trillion, increasing by 0.6 percent, while real sales revenue amounted to MNT 34.3 trillion, declining by 4.4 percent. As of 2025, food products accounted for 27.2 percent of total trade, while non-food products comprised around 73 percent.

Sales of food products increased by 5.3 percent to MNT 15 trillion in 2025. In contrast, sales of non-food products declined by 26.2 percent year-on-year to MNT 40 trillion, reflecting weakened household demand for durable goods. The decline was mainly driven by reduced sales of machinery and equipment, motorcycles, motor vehicles, and their spare parts.

The Purchasing Managers' Index (PMI)<sup>3</sup>, which reflects economic expectations of domestic traders, stood at 46 at the end of 2025 and has increased for four consecutive quarters..

**8. Net taxes on products remained broadly at the level of the previous year.** Value-added tax revenue collected from domestic goods and services and from imports increased by 13.5 percent and 1.0 percent, respectively, resulting in a total VAT revenue increase of 6.1 percent.

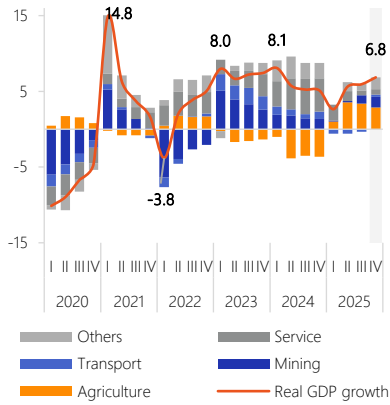
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<sup>3</sup> The PMI, above 50, indicates that production and service activity are expanding, while a reading below 50 generally reflects contraction or a downward trend. A PMI level of

exactly 50 signals no change in activity. Over the past four quarters, the index has remained below the threshold of 50, indicating a contractionary trend.

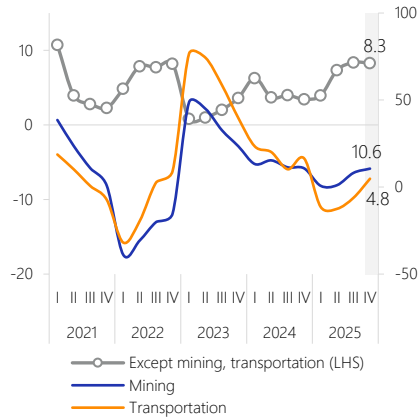
Figure 1.1. Real GDP growth

1. Real GDP growth contribution (percentage points)



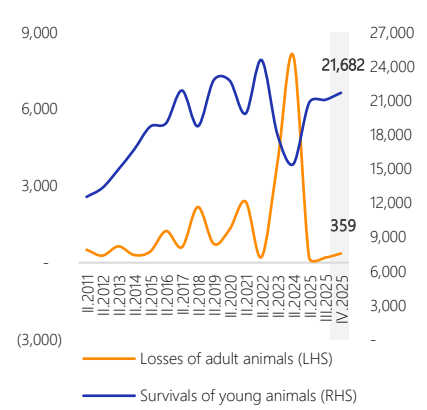
Source: NSO  
 Note: Contributions of sectors to the y-o-y cumulative growth of real GDP.

2. The mining sector growth (percent)



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

3. The agricultural sector (thousand heads)



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

## 1.2. Aggregate demand

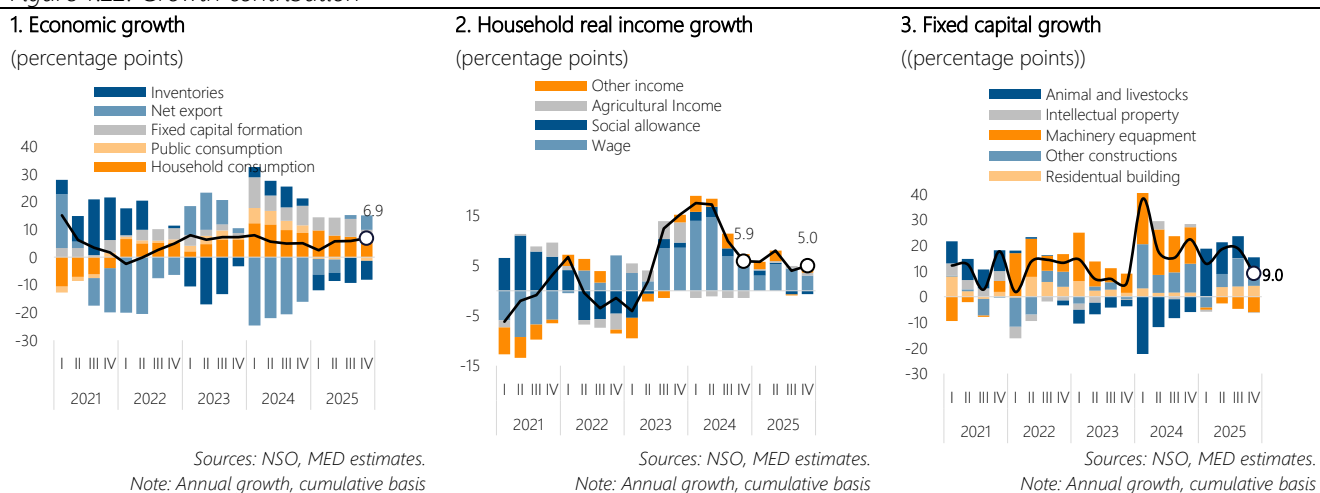
**9. Net exports and household consumption drove economic growth.** Gross domestic product (GDP), measured by the expenditure approach, grew by 6.9 percent in 2025. Final consumption expenditure increased by 5.7 percent, contributing 5.3 percentage points to overall GDP growth. Although government consumption declined, household consumption rose by 9.2 percent, supported by sustained growth in real household income throughout the year. Net exports, which had weighed on economic growth during the first half of the year, improved by 8.5 percent year-on-year in the second half and contributed 5.1 percentage points to total growth. Meanwhile, gross capital formation declined, reducing overall growth by 3.6 percentage points.

**10. Although household consumption growth slowed, it remained above the average level of the past five years.** Household consumption increased by 9.2 percent in 2025, with the pace of growth moderating gradually compared to the previous year. Growth in food consumption accelerated moderately, while non-food consumption weakened. Higher spending on meat, milk and dairy products, water, beverages, and tobacco was the main driver of food consumption growth. Consumption of non-food goods and services grew by 11.3 percent in 2025. The moderation in non-food consumption was mainly attributable to lower

spending on clothing, textiles, footwear, recreation, and tourism.

**11. Growth in real household income moderated to 5.0 percent but remained above the average of the past five years.** As of the fourth quarter of 2025, the number of employed persons increased by 2.2 percent year-on-year, while nominal household wage income rose by MNT 210.4 thousand, both of which supported household income growth. The government’s decision to raise public sector wages, pensions, and social benefits effective January 1, 2025, in line with inflation, was the primary factor sustaining wage income growth throughout the year and supporting real household income growth. In addition, stronger agricultural production increased household income from agricultural products, further bolstering household earnings. However, despite a nominal increase of MNT 29.3 thousand in pension and benefit income, it reduced real income growth by 0.7 percentage points in real terms. In response, Government Resolution No. 242 of 2025 revised the minimum full pension and military pension financed by the Social Insurance Fund to MNT 769.0 thousand and the minimum proportional pension to MNT 652.4 thousand, effective January 1, 2026. Furthermore, under Government Resolution No. 241 of 2025 on revising social welfare pensions and benefits, the monthly social welfare pension for persons with disabilities

Figure 1.22. Growth contribution



and adults with dwarfism will increase by 20 percent to MNT 478.0 thousand beginning January 1, 2026. The monthly social welfare pension for elderly citizens, children under 18 who have lost a breadwinner, and single-parent households with four or more children under 18 (mothers aged 45 and fathers aged 50) will increase by 8.6 percent to MNT 432.0 thousand. These measures are expected to support further growth in household pension and benefit income in 2026.

**12. Income growth among rural households accelerated.** Thirty percent of Mongolia's households reside in rural areas. Approximately 37 percent of rural household income is derived from agricultural products, 21 percent from pensions and social benefits, and around 20 percent from wage income. Agricultural income declined in 2024 due to the severe dzud winter disaster. Against this low base, agricultural income recovered in 2025, supporting rural household incomes. In addition, beginning April 1, 2024, the government introduced a policy providing local allowances to civil servants working in rural soums equivalent to 40 percent of base salary and 20 percent for those working in aimag center soums. As a result, the share of wage income in rural household income gradually increased, further supporting household earnings.

**13. Despite steady growth in fixed capital, a decline in inventories led to an overall contraction in capital formation.** Gross capital formation, which reflects changes in both fixed and inventory assets,

declined by 7.2 percent during the reporting period. Fixed capital increased by 9.0 percent in 2025, supported by real growth of 29.1 percent in residential construction and 19.6 percent in non-residential buildings. In addition, the recovery in agriculture led to an increase in biological assets, further supporting capital formation. However, weaker profitability in the mining sector resulted in a 12.2 percent decline in machinery and equipment investment compared to the previous year. Inventories—including raw materials, work-in-progress, and finished goods—fell sharply, declining by 55 percent from 6.8 trillion MNT in the previous year to 3.1 trillion MNT in 2025, thereby dragging down total capital formation. This decline was driven by lower coal prices, which reduced the valuation of stockpiles, as well as slower trade and service activity, which led to reduced procurement.

**14. The negative contribution of net exports eased as service exports increased and imports declined.** Net exports, defined as the difference between exports and imports of goods and services, had a less negative impact on growth. Export volumes of mining products increased, contributing to a 6.2 percent year-on-year rise in total exports of goods and services and adding 4.0 percentage points to growth. Meanwhile, imports of goods and services declined due to a high base effect from the previous year, supporting overall growth by 1.1 percentage points.

### 1.3. Labor Market and Enterprises

**15. Growth in agricultural and mining employment supported growth in total employment.** In the fourth quarter of 2025, the number of employees increased by 30 thousand from the same period of the previous year to 1 million 384 thousand. This is mainly explained by the fact that the number of employees in the sector increased by 30 thousand from the same period of the previous year due to the continued growth in the agricultural sector, and the number of employees in the mining sector increased by 25 thousand from the same period of the previous year, or 39 percent, to 93 thousand, which mainly explains the growth in the total number of employees. In addition, the number of employees in the manufacturing and construction sectors increased by 19 thousand, which supported growth. However, due to the impact of the decline in the trade sector, the number of employees in the sector decreased by 23 thousand, or 12 percent, to 166 thousand, and the number of employees in the transportation sector decreased by 12 thousand, or 14 percent, to 69 thousand, which slowed down growth.

By location, the number of employees in Ulaanbaatar increased by 36 thousand from the same period last year to 642 thousand, while in rural areas it decreased by 5 thousand to 742

thousand. Specifically, the number of employees increased by 4 thousand in the Khangai and Eastern regions, respectively. However, the number of employees in the Western region decreased by 12 thousand and in the Central region by 1 thousand.

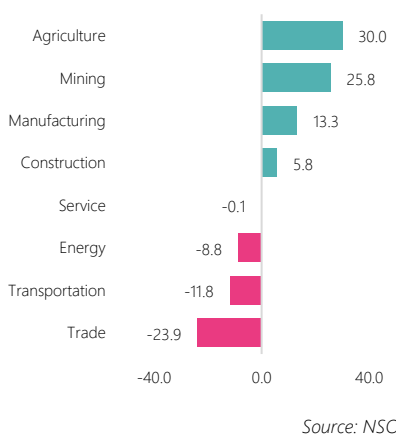
**16. The labor force participation rate increased due to the increase in the labor force.** The labor force increased by 38 thousand, or 2.6 percent, from the same period of the previous year to 1 million 466 thousand. The majority of this increase is explained by the increase in the number of employees, while the number of unemployed people also increased by 7 thousand, or 10 percent, from the same period of the previous year to 83 thousand, which supported the growth of the labor force. Considering the number of unemployed people by reason, the number of people who were unemployed due to graduation in the same year decreased by 2.5 thousand from the same period of the previous year, and the number of people who were unemployed due to lack of qualifications or experience decreased by 1.6 thousand from the same period of the previous year. In addition, the number of people who were unemployed due to disabilities and illness decreased by 2 thousand. On the other hand, the number of people who were looking for work and could not find it increased by

Figure 1.33. Labor market

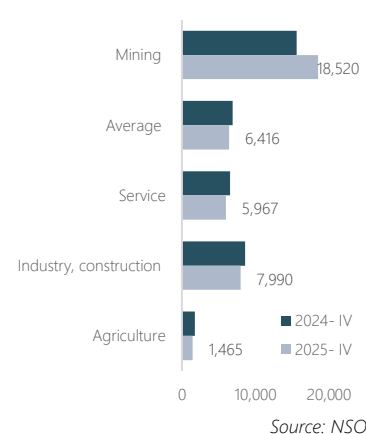
1. Number of employees, labor force participation rate (thousands, percentage)



2. Changes in the number of employees, by sector (thousands)



3. Labor productivity level, by sector (MNT thousands)



7 thousand from the same period of the previous year.

Due to the increase in the number of unemployed people, the unemployment rate increased by 0.3 percentage points from the same period of the previous year to 5.6 percent. With this increase in labor force growth, the labor force participation rate increased by 0.1 percentage points from the same period last year to 62.3 percent.

**17. The population outside the labor force has increased.** The population outside the labor force has increased by 17 thousand people, or 2 percent, from the same period of the previous year to 886 thousand. Looking at the reasons, the number of students, retirees, elderly people, and people with disabilities has increased by 38 thousand from the same period of the previous year, while the number of people with reasons such as lack of profession or experience, inability to find a job suitable for their profession, graduation from school in the same year, lack of interest in working, organization dissolution, and inability to find a job has decreased by 1.5 thousand from the same period of the previous year.

Looking at the population outside the labor force, the number of potential labor force, or people who are interested in working but unable to do so, has increased by 21 thousand or 188 percent from the same period of the previous year, and the population outside the labor force has increased by 3 thousand or 0.4 percent.

**18. Despite the increase in the nominal average wage, real wage growth remains weak.** In the fourth quarter of 2025, the average wage increased by 205 thousand MNT from the same period of the previous year to 2 million 878 thousand MNT, and the median wage increased by 253 thousand MNT from the same period of the previous year to 2 million 482 thousand MNT. However, if the nominal average wage in 2020 is taken as the base, the average wage increased by 117 percent, while the real wage growth adjusted for the consumer price

level, which reflects purchasing power, increased by 32 percent since 2020, which is weaker than the nominal wage growth.

By sector, the highest wage growth was recorded in the manufacturing and electricity sectors. In addition, the average wage in the transport, water supply, and professional and technical activities sectors also increased. On the other hand, the average wage in the international organizations and permanent missions sector decreased by about 18 percent to 4 million 53 thousand MNT.

**15. Labor productivity increased in non-mining sectors.** Labor productivity increased by 466 thousand MNT, or 7.3 percent, from the same period last year to 6 million 881 thousand MNT. By sector, productivity in the agricultural sector increased by 281 thousand MNT, or 19.2 percent, in the services sector by 573 thousand MNT, or 9.6 percent, and in the industrial sector by 604 thousand MNT, or 7.6 percent. However, due to the increase in the number of workers in the mining sector, which has the highest labor productivity, the productivity level decreased by 2 million 933 thousand MNT, or 19.2 percent.

**19. The number of newly established enterprises increased.** As of the fourth quarter of 2025, the total number of enterprises registered in the Business Register reached 263.4 thousand, decreasing by 583 enterprises, or 0.2 percent, compared to the same period of the previous year. The number of operating enterprises and enterprises that had not yet commenced operations increased by 7.8 percent compared to the same period of the previous year, while the number of inactive or untraceable enterprises decreased by 10.9 percent. Although the total number of registered enterprises declined, the increase in the number of actively operating enterprises indicates continued economic activity (Figure 1.4).

**20. The number of enterprises in the trade and services sectors increased.** By sector, the main

contribution to the increase in the number of enterprises came from the trade and services sectors, where the number of newly established enterprises increased by 2.6 thousand and the number of operating enterprises increased by 4.6 thousand compared to the same period of the previous year. Newly established and operating enterprises engaged in wholesale and retail trade increased by 4.2 thousand, enterprises in the professional and scientific activities sector increased by 932, enterprises engaged in accommodation and food service activities increased by 540, and enterprises engaged in other service activities increased by 419, accounting for the largest share of the growth.

**21. The number of cooperatives in the agriculture sector increased.** Under the Government Resolution No. 166 of 2024 on promoting the “New Cooperative Movement,” concessional investment loans were approved for herders who are members of cooperatives. In connection with this policy, the number of newly registered enterprises in the agricultural sector increased by 1,069 as of the fourth quarter of 2025 compared to the same period of the previous year.

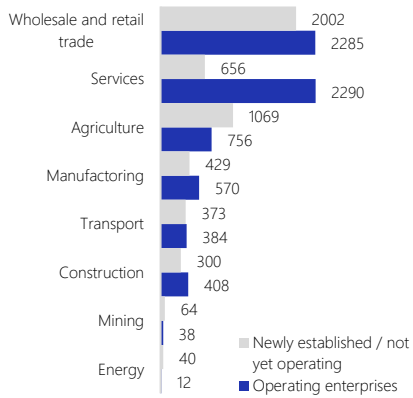
**22. Growth in other actively operating sectors has slowed.** Compared to the same period of the previous year, the number of operating and newly established enterprises increased by 102 in the mining sector, 757 in the transportation sector,

708 in the construction sector, and 999 in the manufacturing sector. Specifically, in the mining sector, the number of operating enterprises increased by 38 while newly established enterprises increased by 64. In the construction sector, the number of operating enterprises increased by 408 and newly established enterprises increased by 300. Similarly, in the manufacturing sector, the number of operating enterprises increased by 570, while newly established enterprises increased by 429.

**23. The number of small enterprises engaged in trade and services increased.** Of the 116.8 thousand actively operating enterprises registered in the Business Register, 86.8 percent, or 101.4 thousand enterprises, had 1–9 employees. Of the total increase of 6.7 thousand enterprises compared to the same period of the previous year, 6.5 thousand were small enterprises with 1–9 employees. Meanwhile, the number of enterprises with 10–19 employees reached 6.9 thousand, increasing by 211 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 contrast, the number of actively operating enterprises with 20–49 employees increased by 23, while enterprises with more than 50 employees increased by 6 (Figure 1.4).

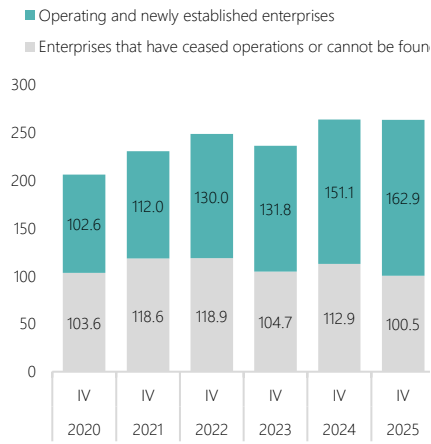
Figure 1.4. Enterprises

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



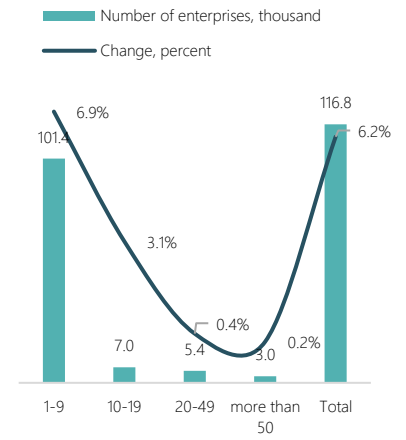
Source: NSO

2. Total enterprises (thousand)



Source: NSO

3. Change in the number of operating enterprises, by number of employees



Source: NSO

*Box 1. Consumer confidence index*

**In the fourth quarter of 2025, consumers' expectations for the next 6 months have worsened, and the Consumer Confidence Index decreased by 12.8 points year-on-year to 91.9.**

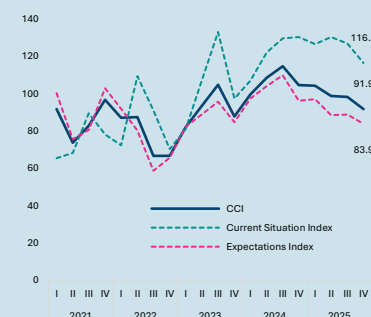
The Consumer Confidence Index (CCI), calculated by the National Research and Consulting Center (NRCC Co. Ltd) and the Japan-Mongolia Center for Human Resource Development, measures consumers' optimism about the general economic condition and household financial situation. The index is calculated based 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 91.9 in the fourth quarter of 2025. Table 2 presents the index's component breakdown.

**1. The Current Conditions Index declined by 10.6 points compared to the same period of the previous year, despite an improvement in the assessment of job availability.** The Current Conditions Index measures how households evaluate the current economic situation based on business conditions and job availability. In the fourth quarter of 2025, the index reached 116.5, with the decline driven by a 2.8 percentage point decrease in the share of respondents who rated job availability as "good" compared to the same period of the previous year. In addition, the share of respondents who rated business conditions as "good" fell by 5.4 percentage points.

**2. The Expectations Index:** Consumer expectations for the next six months weakened, and the Future Expectations Index declined by 5.1 points compared to the same period of the previous year. The Future Expectations Index measures households' outlook for near-term economic conditions based on their assessments of business conditions, job availability, and income expectations. In the fourth quarter of 2025, the index fell to 83.9, driven by a 5.4 percentage point decrease in the share of respondents who expected business conditions to be "good," while the share expecting them to be "bad" increased by 0.7 percentage points compared to the same period of the previous year. In addition, consumer expectations for job availability and income over the next six months also remained pessimistic. The share of respondents who expected job availability to be "good" declined by 9.9 percentage points, while those expecting it to be "bad" increased by 1.3 percentage points. Similarly, the share of respondents who expected income to be "good" decreased by 3.2 percentage points, while those expecting it to be "bad" increased by 2.4 percentage points.

*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. Consumer Confidence Index Components*

	2024.IV	2025.IV	Change
<b>CURRENT SITUATION INDEX ▼</b>			
<i>Business conditions</i>			
Good	10.9	5.5	-5.4 ▼
Normal	36.0	41.2	
Bad	51.0	52.4	1.4 ▲
<i>Job availability</i>			
Good	36.0	33.2	2.8 ▲
Normal	31.4	37.7	
Bad	30.0	27.1	-2.9 ▼
<b>EXPECTATIONS INDEX ▼</b>			
<i>Business conditions ▼</i>			
Good	16.6	11.0	-5.4 ▼
Normal	57.1	62.3	
Bad	23.4	22.7	0.7 ▲
<i>Job availability ▼</i>			
Good	27.6	17.7	-9.9 ▼
Normal	53.8	61.8	
Bad	15.9	17.2	1.3 ▲
<i>Income expectations ▼</i>			
Good	21.7	18.5	-3.2 ▼
Normal	60.7	66.5	
Bad	15.6	13.2	-2.4 ▼

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

## 1.4. Business cycle

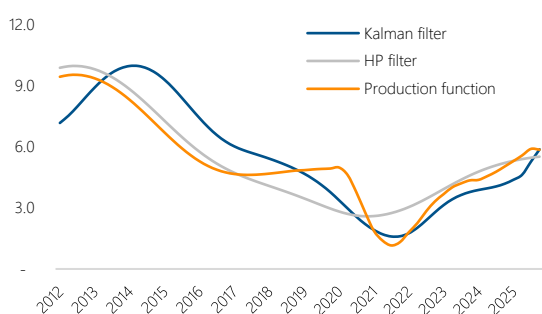
**24. Growth in fixed capital formation continues to support potential output.** As of the fourth quarter of 2025, potential growth is estimated at around 5–6 percent, supported primarily by continued expansion in fixed capital formation. Amid intensified construction activity, fixed capital formation rose by 9.0 percent in 2025, making it the main driver of potential output. Notably, non-residential construction projects—such as the Bagakhangai–Khushig Valley railway, as well as regional road and energy infrastructure—contributed 7.0 percentage points to this growth. At the same time, increased residential construction in Ulaanbaatar and the provinces of Darkhan-Uul, Umnugovi, Dornogovi, Khovd, and Orkhon added a further 4.2 percentage points. The continued expansion of housing developments in more densely populated regions is expected to sustain positive momentum in fixed capital formation. However, a high base effect from machinery and equipment investment in the previous year moderated overall growth. In addition, favorable

weather conditions boosted biological asset accumulation, while rising employment in the agricultural sector supported labor market growth, both contributing positively to potential output.

**25. A recovery in the mining sector, coupled with stronger industrial activity, has pushed actual output above its potential level.** In the first quarter of 2025, subdued activity on the mining exchange and falling export commodity prices led to a decline in extraction, widening the negative output gap. From the second quarter onward, however, improved exchange activity and gradually strengthening commodity prices supported a rebound in production, with mining and transport sectors operating above potential. By the fourth quarter of 2025, the output gap in the non-mining sector had narrowed to around its potential level, driven by increased industrial activity. Overall, total output is estimated to have exceeded its potential by 1.4 percent.

Figure 1.66. Output gap<sup>7</sup>

### 1. Potential GDP growth (percentage)

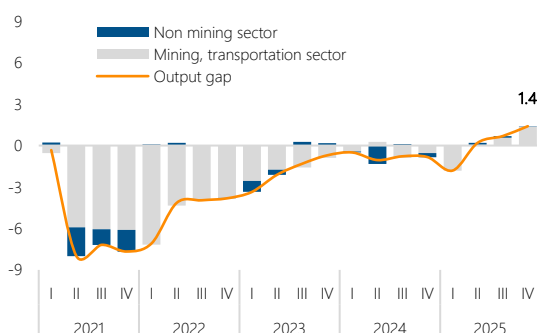


Source: Estimation of the MED

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

Budget revenue recorded a modest increase, with structural budget revenue reaching MNT 30.1 trillion in 2025, up by MNT 0.4 trillion, or 1.3 percent, year-on-year, supported by stronger personal income tax, social insurance contributions, and non-tax revenues. On the expenditure side, total budget spending reached MNT 31.3 trillion, representing an increase of MNT 0.7 trillion, or 2.3 percent, compared to the same period of the previous year. This expansion was primarily driven by higher current expenditures, particularly increases in civil servant wages, as well as pensions and benefits from the social insurance and welfare funds. As a result, the overall structural budget balance recorded a deficit of MNT 1.2 trillion, based on the preliminary year-end performance for 2025.

The government's outstanding debt, expressed in nominal terms, reached MNT 35.4 trillion, equivalent to 39.4 percent of GDP, marking an increase of MNT 2.0 trillion, or 5.9 percent, compared to the same period of the previous year. External debt service obligations are projected at USD 391.8 million in 2025, USD 978 million in 2026, USD 918.5 million in 2027, and are expected to peak at USD 1,078.5 million in 2028.

## 2.1. Budget performance

**26. The growth of budget revenue slowed compared to the previous year.** The consolidated budget revenue reached MNT 32.6 trillion in the preliminary 2025 outturn, increasing by 3.8 percent year-on-year. However, this represents a deceleration of 25.2 percentage points compared to the growth rate recorded in 2024.

Revenue accumulated in the Sovereign Wealth Fund amounted to MNT 2.0 trillion in 2025, increasing by MNT 0.7 trillion (51.0 percent) year-on-year. This increase was mainly driven by the 2025 Budget Law, which raised the allocation of mineral royalty revenues to the Future Heritage Fund to 40 percent—twice the previous year's level—thereby strengthening savings accumulation in the sovereign wealth fund.

In the preliminary 2025 outturn, the Fiscal Stabilization Fund accumulated MNT 562.5 billion, **increasing by MNT 118.6 billion (26.7 percent) year-on-year.** This increase was driven by copper-related revenues, reflecting global copper prices exceeding the structural price used for fiscal stabilization purposes. The accumulation in the fund was derived exclusively from copper revenues.

In the preliminary 2025 outturn, consolidated budget structural revenue reached MNT 30.1 trillion, increasing by MNT 0.4 trillion (1.3 percent) year-on-year. **The growth of structural revenue slowed by 26.1 percentage points compared to the previous year.** This was mainly driven by a decline in revenue collected from the mining sector, which amounted to MNT 9.8 trillion, down by 12.8 percent from the previous year, thereby weighing on overall revenue growth.

**27. Despite improving mining sector activity, corporate income tax (CIT) and mineral royalty revenues declined due to falling coal prices.** Despite an increase in coal export volumes, the continued decline in coal prices since the beginning of the year (see Section 62: External Sector) weakened the

profitability of mining sector enterprises, resulting in slower tax revenue collection compared to the same period of the previous year. In the preliminary 2025 outturn, corporate income tax (CIT) revenue reached MNT 5,664.6 billion, declining by MNT 754.5 billion, or 11.8 percent, year-on-year, while mineral royalty revenue amounted to MNT 2,350.0 billion, down by MNT 1,186.8 billion, or 33.6 percent, over the same period. The mining sector accounts for approximately 30 percent of consolidated budget revenue and more than 50 percent of corporate income tax revenue. As such, external conditions and lower coal prices continue to pose risks to budget revenue mobilization.

**28. The rise in the number of employees and wages supported employment-based tax revenues, such as Personal Income Tax and Social Insurance revenues.** According to the preliminary outturn for 2025, social insurance revenues reached MNT 5.6 trillion, an increase of MNT 892.3 billion (18.9 percent) from the same period last year, and Personal Income Tax (PIT) revenues reached MNT 3.0 trillion, an increase of MNT 334.6 billion (12.7 percent) respectively.

This growth was mainly driven by the increase in the employment rate and the number of insured persons. For example, the number of compulsory social insurance insured persons reached 1,181.0 thousand, an increase of 19 thousand (1.7 percent) from the same period of the previous year. The number of voluntary insured persons reached 170.0 thousand, up 21.2 percent from the same period of the previous year, bringing the total number of insured persons to 1,350.0 thousand, an increase of 3.8 percent from the same period of the previous year.

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.

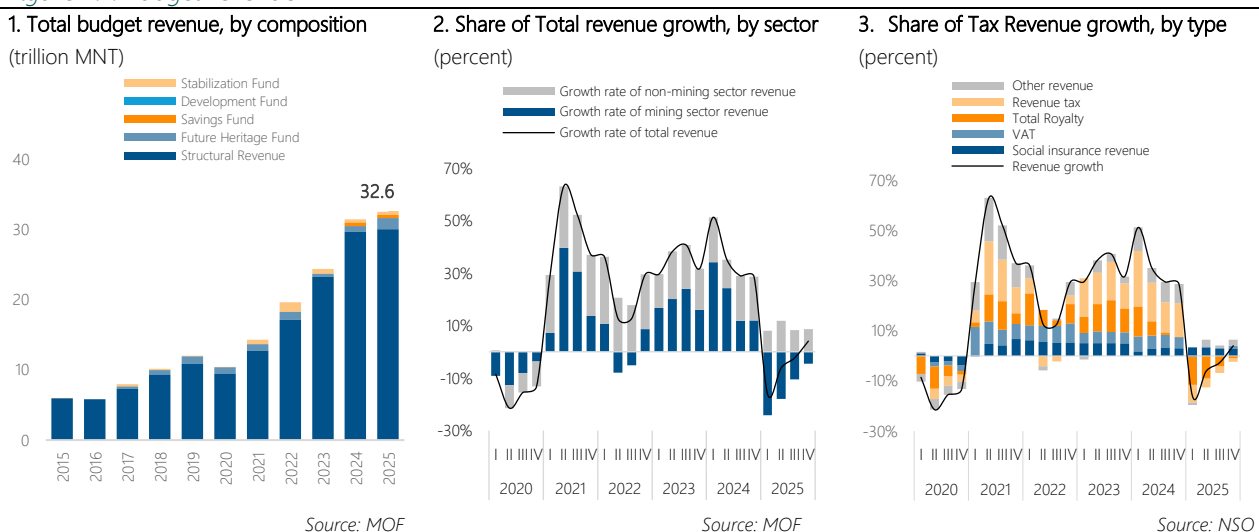
**29. VAT revenue concentration remains at the same level as in the previous year.** Value-added tax revenue reached MNT 6.2 trillion in the preliminary outturn for 2025, an increase of 6.1 percent from the same period of the previous year, indicating that the purchasing power of the domestic market is relatively stable. For example, VAT on domestic goods increased by MNT 342.0 billion (13.5 percent) and VAT on imported goods increased by MNT 38.6 billion (1.0 percent) from the same period of the previous year. Despite the slowdown in import demand, import VAT and import customs duty revenue remained at the same level as in the previous year.

**30. Due to restrictions on issuing state registration numbers for passenger cars, the number of imported passenger cars decreased, and the excise**

**tax revenue decreased.** Excise tax revenue reached MNT 955.1 billion in the preliminary outturn for 2025, down MNT 152.3 billion (13.8 percent) from the previous year. This was mainly due to the decrease in excise tax revenue from imported passenger cars, which reached MNT 417.7 billion at the end of the year, down MNT 164.4 billion (28.2 percent) from the previous year.

The capital city governor’s Order No. A/1348, which sets new criteria for issuing vehicle registration plates in Ulaanbaatar, is scheduled to take effect on June 1, 2025. Due to this decision, the number of imported passenger cars decreased by 32.7 thousand units (26.6 percent) compared to the previous year, and the price increased by 5.5 percent. In other words, restrictions on the volume of imported passenger vehicles that are more than 10 years old, older-model, and lower-value reduced the number of imported passenger vehicles, thereby contributing significantly to the decline in excise tax revenue.

Figure 2.1. Budget revenue



**31. The budget amendment introduced measures to contain the growth of total spending.** The consolidated budget spending reached MNT 31.3 trillion based on the preliminary outturn for 2025, representing a 2.3 percent increase year-on-year. However, this marks a 33.6 percentage point slowdown compared to the pace of expenditure

growth recorded in 2024. Amid global geopolitical developments and heightened uncertainty in trade and economic conditions, Mongolia’s key export commodity coal experienced a 39.0 percent decline in prices during the first five months of 2025. As a result, budget revenue fell short of the plan by MNT 3.3 trillion, creating a financing gap that

constrained the ability to cover budget expenditures. In response, the government adopted expenditure rationalization measures under the budget amendment. According to the revised budget approved on July 9, 2025, total budget expenditure was set at MNT 31.6 trillion, representing a reduction of MNT 1.9 trillion, or 5.6 percent, compared to the originally approved level.

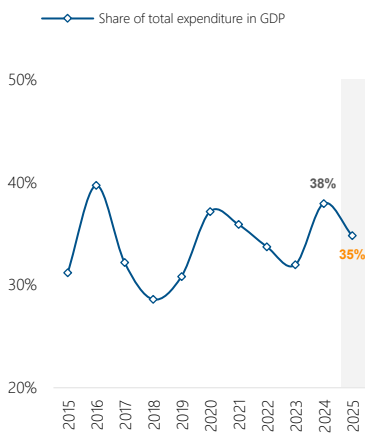
**32. The primary driver of total expenditure growth was the inflation-indexed adjustment of wages and pensions aimed at supporting household incomes.** Current expenditure reached MNT 24.2 trillion, increased by MNT 2.0 trillion, or 9.1 percent year-on-year, which exerted the dominant impact on total spending growth. Specifically, the expansion of wages, pensions, and social benefits alone accounts for approximately 70 percent of the increase in total expenditures. This increase in current expenditure was driven primarily by the Government of Mongolia’s baseline

narrowed pension disparities, with a subsequent 6.0 percent across-the-board pension increase implemented from January 2025.

**33. The majority of budget subsidies were allocated to finance losses in public transportation.** Based on the preliminary outturn for 2025, total subsidies from the consolidated budget amounted to MNT 799.5 billion, representing a 16.2 percent decrease compared to the same period of the previous year. While state subsidies to the private sector reached MNT 657.9 billion, expanding by 2.6 percent year on year, subsidies to state-owned enterprises (SOEs) contracted sharply by 54.8 percent. Specifically, subsidies to cover public transport losses rose to MNT 340.6 billion, a 17.7 percent increase from the previous year, while interest rate subsidies grew by 21.5 percent and reached MNT 63.30 billion. Despite the implementation of a new regulation in January 2025, which doubled public transit fares to MNT

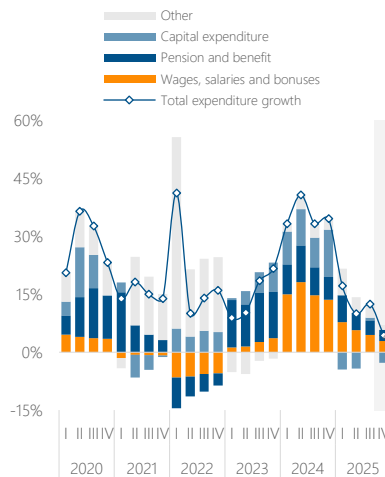
Figure 2.2. Budget expenditures

1. Budget expenditure as a share of the economy (percent)



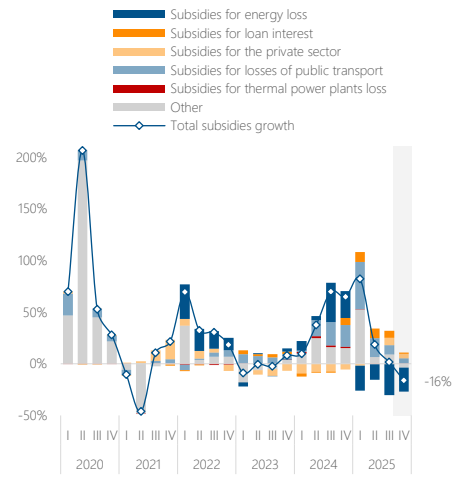
Source: Ministry of Economy and Development estimates, Ministry of Finance  
 Note: Calculated as the percentage of total consolidated budget expenditure relative to GDP.

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



Source: Ministry of Economy and Development estimates, Ministry of Finance  
 Note: The share of each economic classification in the expansion of consolidated budget expenditure was calculated based on the year-on-year increase.

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



Source: Ministry of Economy and Development estimates, Ministry of Finance  
 Note: The share of each purpose in the increase of subsidies provided from the consolidated budget to state-owned and private entities was calculated based on the year-on-year increase.

adjustments, including an average 6.0 percent salary increase for all civil servants effective January 1, 2025. Furthermore, the updating of pension coefficients by the Social Insurance Fund in 2025

1,000 per day allowing up to four rides without time restrictions, budgetary subsidies targeting public transport deficits continue to exhibit an upward trend.

**34. Consolidated capital expenditure contracted.**

According to the 2025 preliminary outturn, consolidated public capital expenditure reached MNT 7.1 trillion, representing an 11.0 percent decline year-on-year. Broken down by economic classification, construction expense accounted for 73.1 percent of total capital spending, followed by other assets at 13.0 percent, equipment at 8.4 percent, and capital repairs at 5.4 percent. Capital outlays for major repairs expanded by 21.4 percent y-o-y, whereas spending on construction and equipment contracted by 3.2 percent and 26.0 percent, respectively, serving as the primary drivers behind the drop in capital expenditure. Furthermore, pursuant to the Law on Public Austerity, procurement processes were required to be fully finalized by May 31, 2025. Financing projects that failed to secure contracts by this deadline was reclassified as budgetary savings. To implement this measure, the Government discussed the "Reclassification of Budgetary Savings" during its cabinet meeting on June 20, 2025, formalizing it

under Resolution No. 02. Under this resolution, a total of MNT 535.9 billion was clawed back as fiscal savings, which contributed to the overall reduction in expenditure. In terms of financing sources, capital expenditure was funded by MNT 2.1 trillion from the state budget, MNT 1.7 trillion from external loans and grants (Table 2), and MNT 3.3 trillion from local government budgets.

*Table 2. Capital expenditure financed by external loans and grants, preliminary outturn for 2025\* (MNT billion)*

Budget Governors	Capital expenditure	Percent of share
Minister of Industry and Mineral Resources	433.5	29%
Minister of Energy	283.5	19%
Minister of Finance	203.5	14%
Minister of Urban Development, Construction and Housing	140.8	9%
Governor of the Capital City	114.9	8%
Minister of Road and Transport	94.5	6%
Minister of Health	70.7	5%
Minister of Education	52.3	4%
Others	98.3	7%
Total	1,492.0	100%

## 2.2. Fiscal policy

**35. A countercyclical fiscal contractionary policy is being implemented.** Fiscal policy should maintain a countercyclical stance aimed at ensuring economic stability by supporting economic activity during periods of economic contraction through increased government expenditure and tax reductions, while during periods of economic overheating, reducing budget expenditure and saving revenue gains to prepare for potential crises. To analyze how fiscal policy contributes to macroeconomic stabilization, the impact of fiscal policy is separated from the overall balance. Figure 2.3 decomposes the fiscal balance into three components: the fiscal stance, which reflects the impact of discretionary fiscal policy; automatic stabilizers, which capture the effects of economic cycles independent of fiscal policy measures; and interest payments, which represent debt service obligations that must be paid according to schedule regardless of economic conditions.

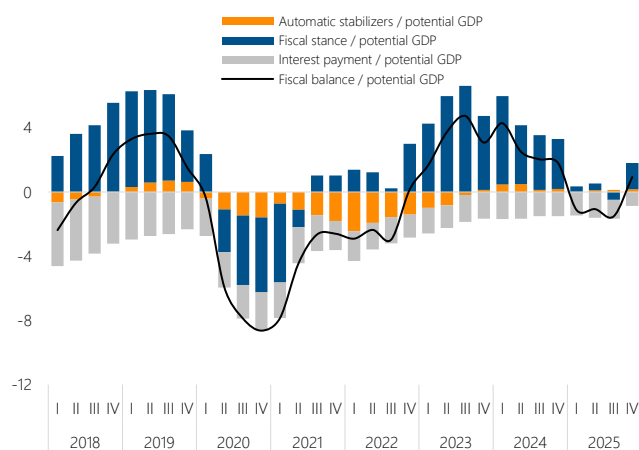
In the preliminary 2025 outturn, the overall balance recorded a surplus equivalent to 0.9 percent of potential GDP. The fiscal stance and automatic stabilizers contributed positively by 1.6 percentage points and 0.2 percentage points, respectively, while interest payments had a negative impact equivalent to 0.9 percentage points. Compared to the same period of the previous year, the fiscal stance weakened by 1.5 percentage points; however, the fiscal contractionary policy has continued.

**36. Economic activity increased as production in the mining sector recovered, resulting in a positive contribution from automatic stabilizers to the fiscal balance.** By the end of 2025, total economic output exceeded its potential level by 1.4 percent, mainly supported by growth in the mining and transportation sectors. Consequently, the economic cycle had a positive impact on the fiscal balance, becoming a surplus.

Figure 2.3. Fiscal balance and fiscal stance

### 1. Fiscal balance

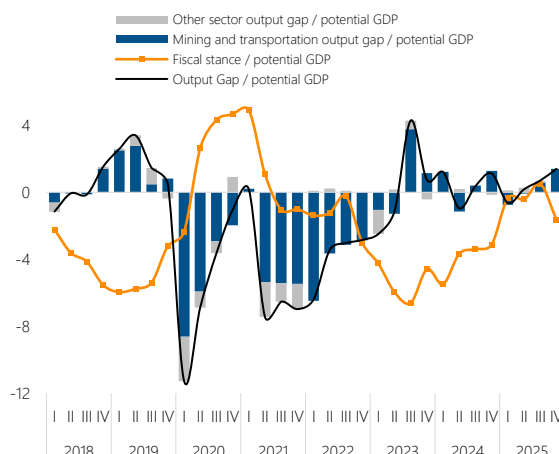
(share of potential GDP)



Source: Estimation of MED, MOF

### 2. Fiscal stance

(share of potential GDP)



Source: Estimation of MED, MOF

## 2.3. Government debt sustainability

37. Government debt outstanding, in nominal terms, increased compared to the same period of the previous year. Government debt outstanding, in nominal terms, amounted to MNT 35.4 trillion, equivalent to 39.4 percent of GDP, reflecting an increase of MNT 2.0 trillion, or 5.9 percent, compared to the same period of the previous year.

The composition of government debt is dominated by external borrowing instruments. External securities account for 25.3 percent of total government debt, followed by external loans at 65.2 percent, domestic securities at 1.9 percent, and the remaining 7.6 percent comprises other liabilities.

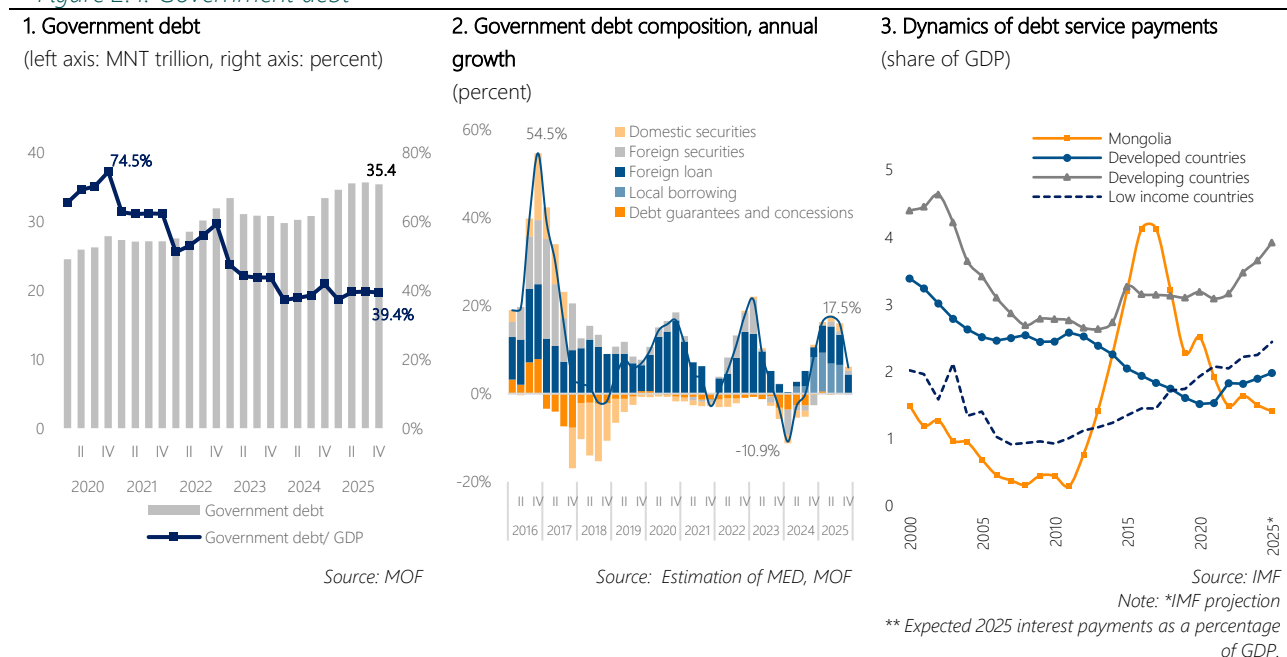
Table 3. Outstanding Government Debt, Preliminary Results for 2025\* (billion MNT)

Debt Instrument	2024	2025*
<b>Government Domestic Debt</b>	<b>400.5</b>	<b>688.5</b>
<b>Government External Debt</b>	<b>30,296.6</b>	<b>32,052.8</b>
Securities	8,655.0	8,817.5
Loans	21,641.6	23,088.1
<b>Other Government Debt</b>	<b>2,736.4</b>	<b>2,678.8</b>
Debt Guarantees	178.0	164.7
Local Borrowing	2,558.4	2,514.1
<b>Total Debt</b>	<b>33,433.5</b>	<b>35,420.1</b>

38. Government debt increased due to the utilization of external loans and assistance. The outstanding balance of the Government’s total external debt, including external loans and securities, reached 32.1 trillion MNT under the preliminary results for 2025, increasing by 1.8 trillion MNT or 5.8 percent compared to the same period of the previous year. The increase was primarily driven by a rise in the utilization of external loans and grants, which reached MNT 1,881.3 billion, while the issuance of the “Century-IV” bond in the first quarter of 2025 and exchange rate movements also contributed.

39. The domestic government securities market is recovering. Since the Government had not openly traded domestic securities in the domestic market after October 2017, the outstanding balance of domestic securities had decreased by 48.5 times, reaching 96.8 billion MNT in the third quarter of 2024. In November 2024, in accordance with Article 6 of the 2024 Budget Law, the Government traded securities worth 300 billion MNT with the Social Insurance Fund. Furthermore, in order to support the domestic market, establish a benchmark interest rate for MNT-denominated bonds, and improve market depth, the Government resumed the open trading of domestic securities in the

Figure 2.4. Government debt



primary market on April 16, 2025. As a result, according to the preliminary results for 2025, the outstanding balance reached MNT 688.5 billion.

**40. Local government borrowing held steady compared to the previous year.** According to the preliminary outturn for 2025, outstanding local government borrowing—primarily driven by securities issued by the capital city, Ulaanbaatar—amounted to MNT 2,514.1 billion. In terms of purpose, the securities issued by the capital city under local government borrowing consisted of MNT 1.8 trillion for the Selbe subcenter housing project, MNT 401.0 billion for road repair and maintenance, and MNT 283.7 billion for the Battery Energy Storage System project.

**41. The outstanding stock of government debt guarantees remained broadly unchanged from the previous year, amounting to MNT 164.7 billion based on the preliminary outturn for 2025.** This represents the outstanding loan under the government guarantee issued to the Development Bank of Mongolia for the Choibalsan Thermal Power Plant expansion project, financed by the China Development Bank.

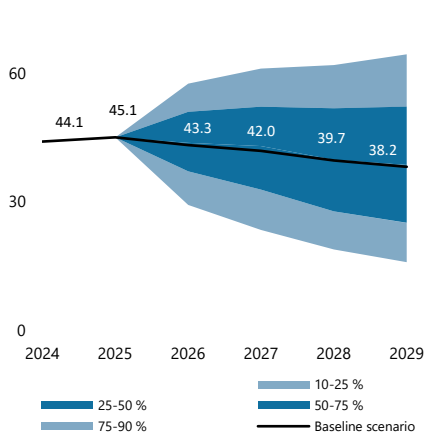
**42. The government's external debt repayments are expected to remain high during 2027–2028.** The external debt repayment schedule highlights substantial medium-term obligations. Principal payments are projected at USD 469.2 million in 2026, USD 1,235.7 million in 2027 (inclusive of USD 500.0 million for the capital city's "Selbe" bond), USD 882.6 million in 2028, and USD 689.1 million in 2029. Total repayments over the 2027–2029 period are projected to reach USD 2.8 billion. Although the government's external debt burden has been steadily declining since 2021, it is projected to rise again from 2027 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.

**43. Government debt remains sensitive to macroeconomic shocks and changes in baseline assumptions over the medium term.** The medium-term outlook for government debt is assessed through debt sustainability analysis, which evaluates its sensitivity to key macroeconomic indicators. Under the baseline scenario of the debt dynamics analysis, assuming real GDP growth of 5.4 percent, 5.8 percent, 6.0 percent, and 6.3 percent over 2026–2029, respectively; exchange rate depreciation remaining at their 10-year historical averages, and the GDP deflator and primary balance staying near projected levels, government debt-to-GDP ratio is expected to gradually decline to 38.2 percent by 2029. To capture uncertainty, shocks equivalent to one standard deviation were applied annually to key variables starting from 2026, and the resulting uncertainty in debt dynamics is illustrated using a fan chart. The gap between the most optimistic (5th percentile) and the most adverse (95th percentile) debt projection scenarios was 36.4 percentage points in 2026, but it is projected to widen significantly to 70.1 percentage points after five years. This indicates that government debt is highly sensitive to macroeconomic uncertainty and external shocks.

**44. The primary balance and real GDP growth play a critical role in ensuring government debt sustainability.** A debt dynamics analysis was conducted to evaluate the key factors influencing public debt. In 2026, the nominal government debt-to-GDP ratio expected to decline by 1.8 percentage points, reflecting positive contributions from the primary deficit of 2.2 percentage points, real GDP growth of 2.3 percentage points, and exchange rate depreciation of 0.9 percentage points, while real interest rates and relative inflation exerted a negative impact of 1.0 percentage point. Going forward, the sustainability of government debt will largely depend on real GDP growth, management of the primary balance and the exchange rate depreciations.

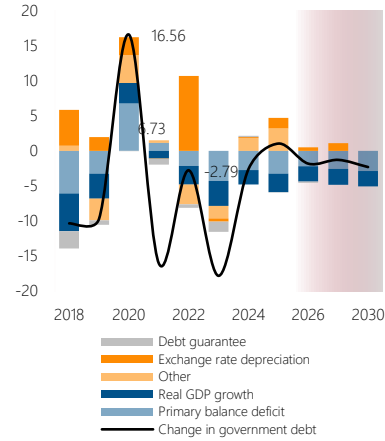
Figure 2.5. Government Debt Sustainability

1. Distribution of Government Debt Projections (share of GDP)



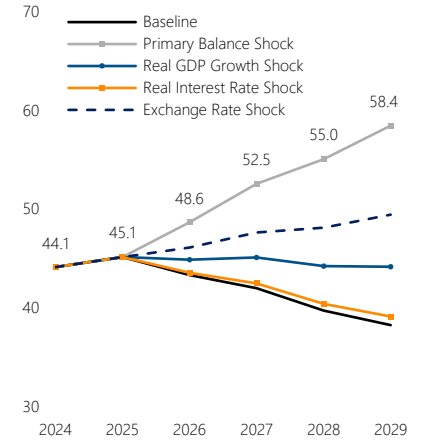
Source: Estimation of MED

2. Determinants of Government Debt Sustainability (percentage change)



Source: Estimation of MED

3. Determinants of Government Debt (share of GDP)



Source: Estimation of MED

## CHAPTER III

# MONETARY SECTOR

3.1. Inflation and monetary policy

3.2. Financial sector

## 3. MONETARY SECTOR

### OVERVIEW

Inflation reached 7.5 percent in the fourth quarter of 2025, remaining within the central bank's target range. As economic activity moderated, demand-driven inflation continued to ease gradually. In contrast, supply-side inflationary pressures intensified, driven primarily by rising prices of meat and vegetables. Meanwhile, price growth for imported goods, as well as for non-food domestic goods and services, moderated. In the fourth quarter of 2025, the central bank maintained its policy rate at 12 percent. Credit growth in the commercial banking sector continued to decelerate, reaching 18.9 percent by year-end 2025. Despite this slowdown, credit expansion remained the principal driver of money supply growth. In addition, the volume of non-performing loans in the banking sector increased.

### 3.1. Inflation

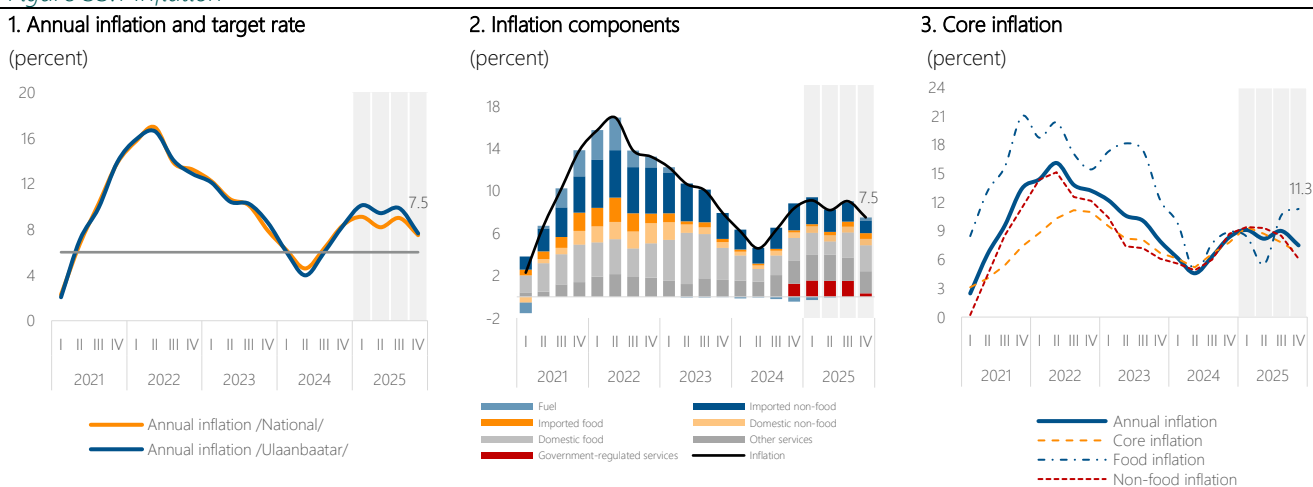
45. Inflation reached 7.5 percent in the fourth quarter of 2025, broadly in line with projections. In December 2025, inflation stood at 7.5 percent, marking a decrease of 0.9 percentage points compared to the same period last year. Food accounted for 3.0 percentage points of total inflation, while clothing, textiles, and footwear contributed 0.9 percentage points, education services 0.8 percentage points, and housing, water, electricity, gas, and other fuels 0.5 percentage points. The 0.9 percentage point year-on-year decline in inflation was primarily driven by the waning effects of earlier electricity tariff adjustments, coupled with a deceleration in price increases for clothing, textiles, and footwear.

46. Import and domestic inflation for goods and services moderated toward the end of the year. Inflation for imported goods stood at 4.3 percent in December 2025, declining by 0.4 percentage points year-on-year and accounting for 26.8 percent of total inflation. Approximately 74 percent of imported inflation was driven by price increases in non-food items, particularly clothing, textiles, and footwear, as well as automobiles and fuel. The relative stability of imported inflation was supported by improved conditions in the foreign exchange market. Domestic inflation for goods and services

reached 10.3 percent at the end of 2025, decreasing by 1.5 percentage points compared to a year earlier and accounting for 73.2 percent of the annual inflation. Domestic inflation was primarily driven by rising prices of food and services. Notably, service prices increased by 9.5 percent year-on-year at the end of 2025, representing a slowdown of 4.7 percentage points from the same period last year. The moderation in service price inflation was mainly attributable to the fading base effects of earlier electricity tariff increases, as well as slower growth in rental prices.

47. Demand side inflation has declined for eight consecutive months, while supply driven inflation has remained elevated. Core inflation, which excludes food, fuel, energy, and administered prices, reached 6.7 percent in December 2025, decreasing by 1.5 percentage points year on year. The sustained moderation in demand side inflation reflects the cumulative impact of policy measures, including the 2025 budget amendment to reduce current expenditures, stabilization in the foreign exchange market, tighter regulation of consumer lending, and the decision to maintain the policy rate at 12 percent. Demand side factors accounted for approximately 55 percent of total inflation. In contrast, supply side inflation stood at 8.8 percent

Figure 33.1 Inflation



Source: National Statistics Office

Note: Quarterly inflation rates are calculated from the last months of the quarter.

Source: National Statistics Office

Note: The components of annual inflation are shown by goods and groups with high contributions to inflation

Source: National Statistics Office

Note: Core inflation is calculated by subtracting food, fuel, and solid fuel from total inflation

in December 2025, increasing by 0.2 percentage points compared to the same period of the previous year. The rise in supply-side inflation in the final months of the year was primarily driven by an 11.3 percent increase in food prices.

**48. Inflation for non-food goods and services showed a gradual moderating trend, while food inflation increased.** As of the fourth quarter of 2025, inflation for non-food goods and services stood at 6.1 percent, declining by 3.0 percentage points compared to the same period of the previous year. This decline was mainly driven by the fading base effects of household electricity tariffs, as well as slower price increases in housing rents and in the clothing, textiles, and footwear category. In contrast, food inflation reached 11.3 percent at the end of 2025, rising by 2.4 percentage points year on year. Contributing 3.0 percentage points to overall inflation, the recent increase in food inflation was primarily driven by higher prices of meat and meat products, as well as vegetables. Specifically, prices of meat and meat products increased by 15.2 percent year on year, while vegetable prices rose by 30.3 percent. The increase in vegetable prices was largely attributable to reduced harvests due to adverse weather conditions. In particular, total vegetable output declined by 15 percent, while potato output decreased by 55 percent compared to the previous year.

**49. The Drewry World Container Index and the FAO Food Price Index both declined.** Container shipping costs, as measured by the Drewry World Container Index, had previously increased due to tariff policies in the United States but began to ease gradually in the second half of 2025. As of the end

December 2025, the index stood at USD 2,213 per 40 foot container, representing a decline of 28 percent compared to the same period of the previous year, while remaining 58 percent higher than pre pandemic levels.

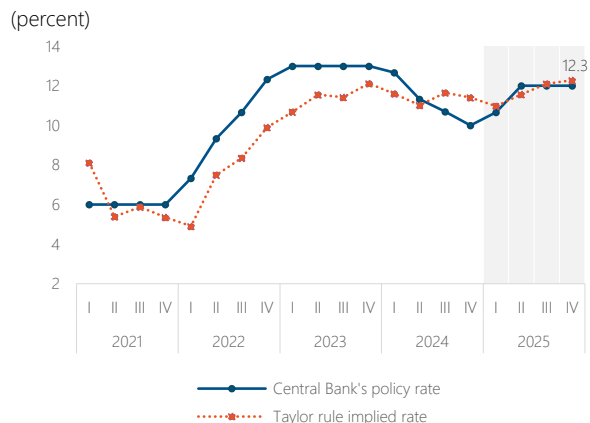
The FAO Food Price Index reached 124.5 at the end of the fourth quarter of 2025, decreasing by 2.3 percent year on year. In global markets, prices of grains and sugar increased, whereas prices of dairy products, meat, and vegetable oils declined.

As of the end of 2025, inflation declined in Russia, the Republic of Korea, Japan, Kazakhstan, Kyrgyzstan, Georgia, Turkey, the United States, the United Kingdom, and the euro area, while inflation increased in China and Sri Lanka.

**50. The policy rate remains at an optimal level.** The central bank maintained the policy rate at 12 percent throughout the fourth quarter of 2025. According to the Taylor rule, the estimated policy rate stands at 12.3 percent, which is broadly in line with the prevailing policy rate, indicating consistency with macroeconomic conditions. Since the second quarter of 2025, the real interest rate gap has exerted a mildly tightening effect on monetary conditions. In addition, the impact of the real exchange rate gap on tightening monetary conditions increased in the fourth quarter of 2025 compared to the previous quarter. Looking ahead, upside risks to inflation remain, including growth in newly extended credit, heightened geopolitical tensions and uncertainty, fluctuations in oil prices, and tariff policies. In this context, maintaining the policy rate at its current level in the near term is considered appropriate.

Figure 33.2 Taylor's Rule and monetary conditions index

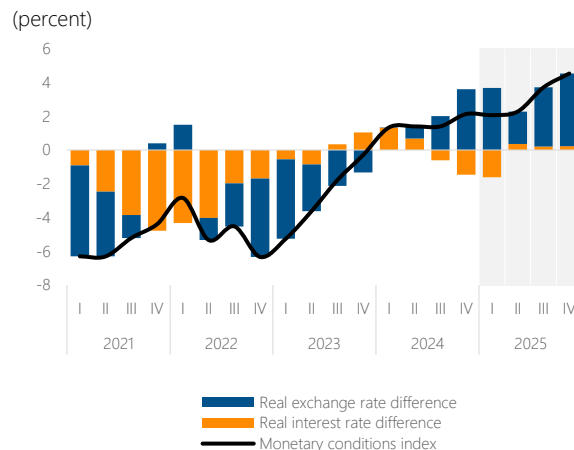
1. Policy rate and Taylor's rule



Source: MED estimation

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

2. Monetary conditions index

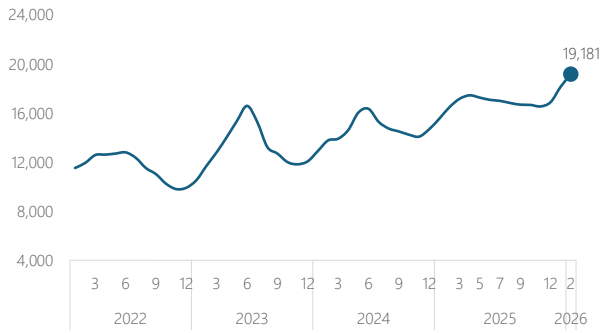


Source: MED estimation

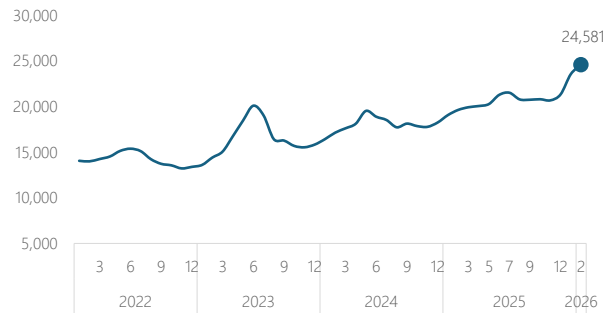
Note: The Monetary Conditions Index is an indicator that measures the impact of monetary policy in an economy. The Monetary Conditions Index was calculated using the GAP methodology of the Monetary Policy Analysis. It is calculated using real interest rates and exchange rates. A positive monetary condition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

Figure 33.3 Prices of some items

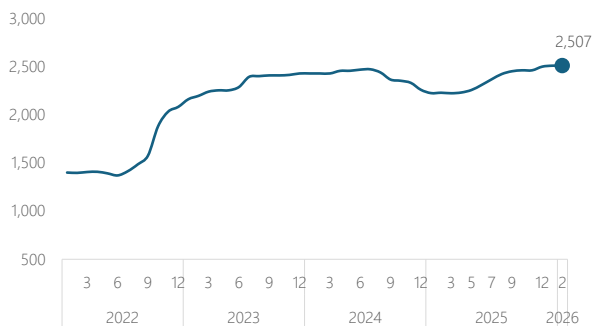
1. Mutton (kg/tugrik)



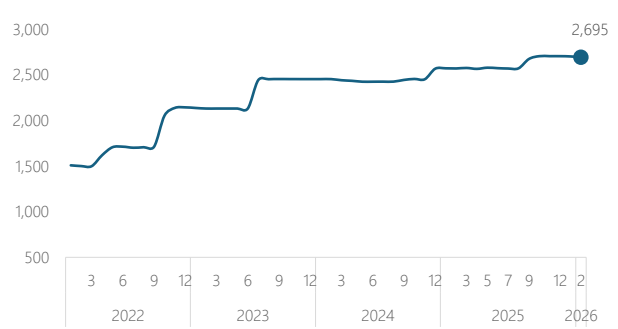
2. Beef (kg/tugrik)



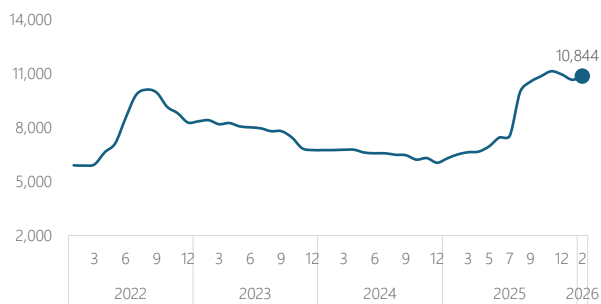
3. Flour, type 1 (kg/tugrik)



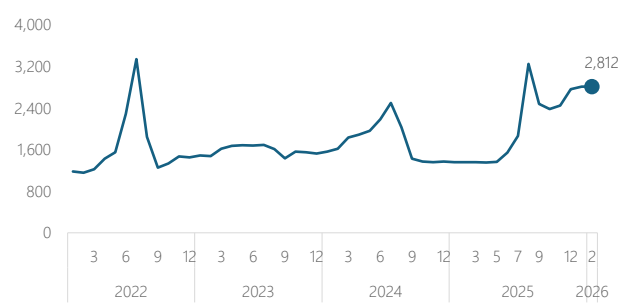
4. Bread, Atar (tugrik)



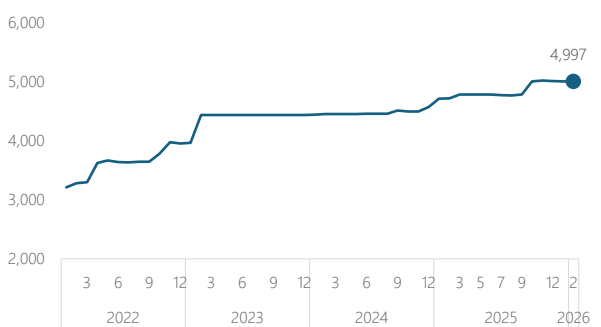
5. Vegetable oil (tugrik)



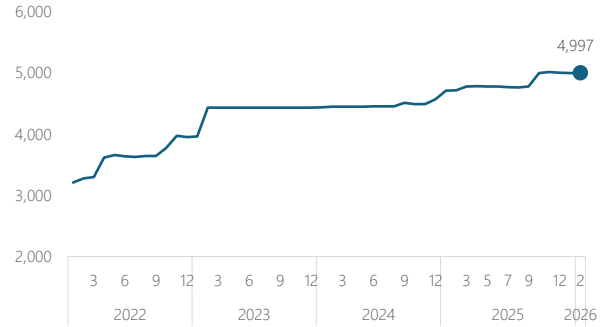
6. Potato (kg/tugrik)



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.

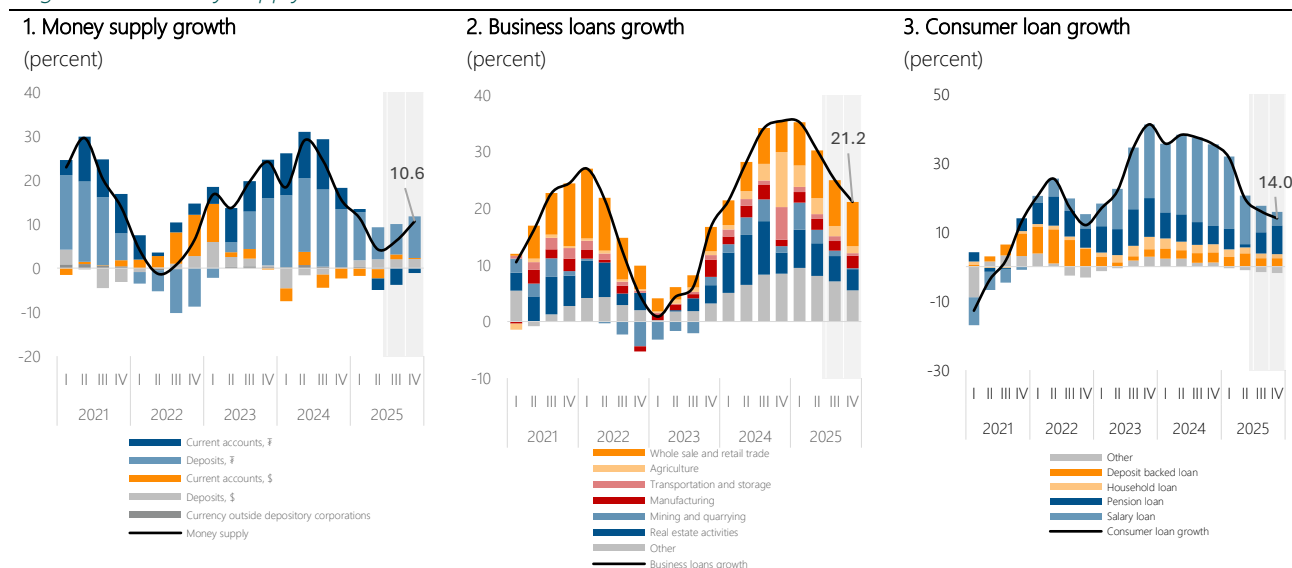
### 3.2. Monetary and financial sector

**51. Money supply growth has been accelerating in recent quarters.** By the end of 2025, money supply growth reached 10.6 percent, decreasing by 4.9 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 9.5 percentage points, foreign currency deposits for 2.1 percentage points, foreign currency current accounts for 0.2 percentage points, and currency outside depository corporations for 0.05 percentage points. In contrast, domestic currency current accounts exerted a negative contribution of 1.1 percentage points. On the asset side, net domestic assets accounted for 8.4 percentage points of money supply growth, while net foreign assets accounted for 2.2 percentage points. The increase in net domestic assets was mainly driven by domestic credit.

**52. Credit growth remains elevated.** As of the fourth quarter of 2025, outstanding loans in the banking sector amounted to 43.5 trillion MNT, with an annual growth rate of 18.9 percent. Business loans accounted for 70 percent or 30.8 trillion MNT of the total, while consumer loans comprised 30

percent or 13.0 trillion MNT. The growth of outstanding business loans reached 21.2 percent in the final quarter of 2025, accelerating by 14.3 percentage points compared to the same period last year. The main contributors to business loan growth were increases in loans to wholesale and retail trade by 30.8 percent, real estate activities by 16.3 percent, mining and quarrying by 2 percent, and agriculture by 25.9 percent. The growth of outstanding consumer loans reached 14.0 percent in the fourth quarter of 2025, decelerating by 21.5 percentage points from the same period last year. Pension loans have been the main driver of consumer loan growth. Specifically, while the outstanding balance of salary loans increased by 7.2 percent year-on-year, pension loan growth reaccelerated to 58.1 percent in the fourth quarter of 2025 after the Monetary Policy Committee revoked, in July 2025, the regulation on loans collateralized by pension and benefit income and removed the debt-to-income ratio requirement for newly issued loans.

Figure 33.4 Money supply and credit indicators



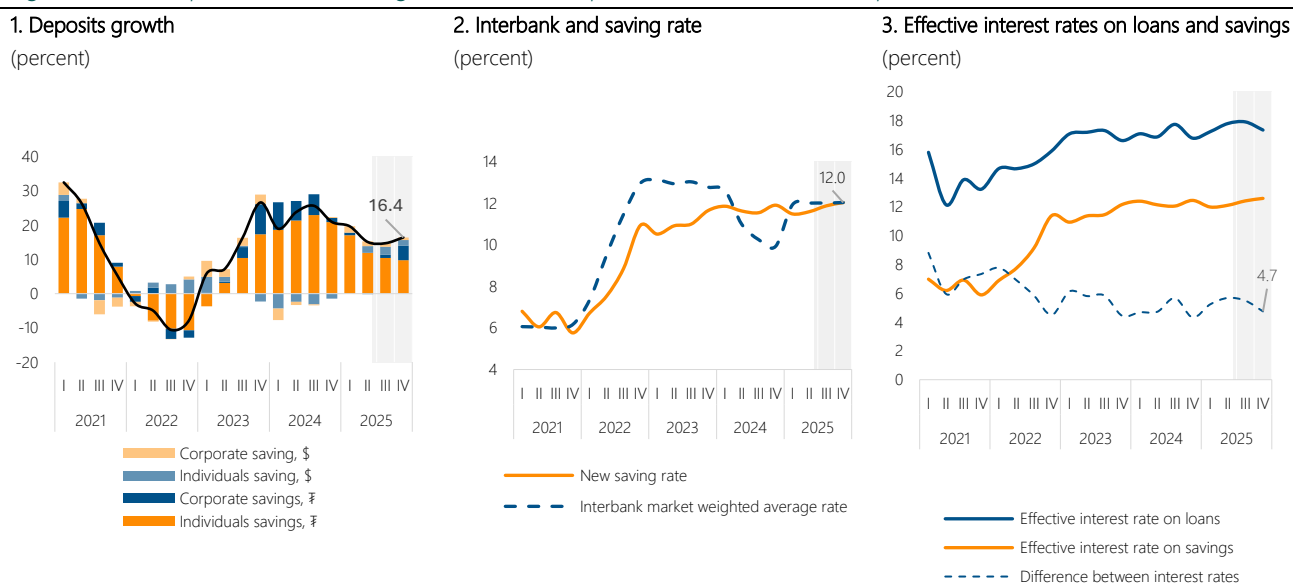
Source: Estimation of MED, Bank of Mongolia statistics

**53. Growth in newly issued loans recovered for business lending while slowing for consumer lending.** By the end of 2025, the total newly issued loans in the banking sector reached 66.7 trillion MNT, increasing by 9.6 trillion MNT or 16.8 percent compared to the same period last year. Of the total, 66.6 percent were business loans and 33.4 percent were consumer loans. The annual growth of newly issued business loans reached 21.5 percent in the fourth quarter of 2025; a deceleration of 19.2 percentage points compared to the same period last year. The increase in business lending was mainly supported by higher loan disbursements to wholesale and retail trade, financial and insurance activities, construction, and the mining sector. Meanwhile, the growth of newly issued consumer loans stood at 8.5 percent in the fourth quarter of 2025, down by 21.7 percentage points year-on-year. The main contributors to the growth in consumer lending were loans backed by salary, pensions, and deposits. In July 2025, the central bank revoked the regulation that had been applied to loans collateralized by pensions and benefits. As a result, pension loans issued in the fourth quarter of 2025 increased by MNT 1.1 trillion compared with the previous quarter.

**54. The amount of non-performing loans has increased.** As of the fourth quarter of 2025, the total amount of non-performing loans in the banking sector reached 2.2 trillion MNT, representing a 18.8 percent increase compared to the same period of the previous year. The increase in non-performing loans in the banking sector was driven mainly by a 140.6 percent year-on-year rise in non-performing salary loans. In addition, the outstanding balance of non-performing household consumption loans increased by 221.0 percent, exerting a negative effect. The non-performing loans ratio stood at 5.1 percent of total outstanding loans. In terms of sectoral composition, 15.9 percent of non-performing loans were concentrated in manufacturing, 15.7 percent in construction, 11.4 percent in wholesale and retail trade, 23.3 percent in salary loans, and 9.8 percent in the mining and extractive industries. The improvement in loan quality compared with the previous quarter was mainly driven by declines in non-performing household consumption loans and mining loans, which fell by 5.7 percent and 12.8 percent, respectively.

**55. Growth in individuals' domestic currency deposits remains strong.** By the end of 2025, total deposits in the banking sector reached 30.9 trillion

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

MNT, representing a 16.4 percent increase compared to the same period last year. Of this amount, individuals' deposits stood at 25.2 trillion MNT, up by 13.8 percent year-on-year. Specifically, individuals' domestic currency deposits reached 21.4 trillion MNT, reflecting a 13.9 percent increase, while foreign currency deposits amounted to 3.8 trillion MNT, growing by 13.3 percent. Deposits held by corporations totaled 5.7 trillion MNT, increasing by 29.6 percent from the same period of the previous year. Of this, corporations' domestic currency deposits rose to 4.1 trillion MNT, up by 36.4 percent, while corporations' foreign currency deposits reached 1.6 trillion MNT, registering a 14.6 percent increase. As of the fourth quarter of 2025, the weighted average interest rate on domestic currency deposits reached 12.0 percent, up by 0.1 percentage points from the same period last year, while the interest rate on foreign currency deposits stood at 3.6 percent, down by 0.5 percentage points year-on-year. Although individuals' domestic currency deposits continued to grow, the pace of growth showed signs of moderating.

**56. The level of asset dollarization increased compared to the same period of the previous year.** In the final quarter of 2025, the share of foreign currency current and deposits in broad money stood at 20.7 percent, an increase of 0.03 percentage points compared to the same period last year. The increase in asset dollarization was primarily driven by a 9.0 percent year-on-year decrease in foreign currency deposit accounts.

**57. The weighted average interbank market interest rate remains close to the policy rate.** In the fourth quarter of 2025, the policy rate was maintained at 12 percent, while the weighted average interest rate in the interbank market also stood at 12 percent. This represented an increase of 2.1 percentage points from the same period last year, but remained unchanged compared with the previous quarter.

**58. The effective real interest rate spread between loans and deposits declined compared with the same period last year.** In the final quarter of 2025, the real effective loan rate of commercial banks rose to 17.3 percent, increasing by 0.6 percentage points year-on-year and decreasing by 0.6 percentage points from the previous quarter. In contrast, the real effective deposit rate increased to 12.6 percent, down by 0.1 percentage points both year-on-year. As a result, the spread between real effective loan and deposit rates widened by 0.4 percentage points compared to the same period last year and narrowed by 0.7 percentage points from the previous quarter. The increase in the effective real interest rate spread from the previous year was driven by lending rates rising faster than deposit rates.

**59. Credit expansion growth is slowing.** In 2025, total outstanding loans reached 48.6 percent of gross domestic product, an increase of 3.0 percentage points compared to the same period last year. After a period of slowdown in 2022–2023, credit expansion began to gain momentum in 2024 due to increased economic activity. The loan-to-deposit ratio of the banking sector stood at 1.42 in the fourth quarter of 2025, rising by 0.03 percentage points year-on-year and declining by 0.08 percentage points from the previous period. The increase in this ratio was mainly driven by growth in total deposits. However, an excessively high loan-to-deposit ratio increases liquidity risk.

**60. Banking sector profitability remains positive, although it has shown signs of moderating in recent quarters.** The return on assets (ROA) of the banking sector stood at 1.9 percent in the fourth quarter of 2025, decreasing by 0.5 percentage points year-on-year and by 0.1 percentage points from the previous quarter. Although the banking sector's return on assets declined compared with the same period last year, it remained positive, indicating that the sector continued to operate profitably. The decline in return on assets relative

to the same period last year may have been partly driven by an increase in non-performing loans.

**61. Credit growth of non-bank financial institutions remains high.** In 2025, a total of 575 non-bank financial institutions (NBFIs) were operating, with outstanding loans reaching 7.2 trillion MNT, marking an increase of 25.5 percent compared to last year. Of the total loans issued,

91.5 percent were extended to individuals and 8.5 percent to legal entities. In the first quarter of 2025, 90.1 percent of all NBF1 borrowers, which is 2.8 million clients, received loans totaling 2.3 trillion MNT through fintech-based lending services. The weighted average monthly interest rate on loans issued by NBFIs stood at 3.7 percent, showing an increase of 0.2 percentage points compared to the same period last year.

Table 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	122.7	40.9
	II	45.4	11.1	1.2	114.1	38.1
	III	45.4	11.4	1.0	103.6	38.6
	IV	45.0	11.8	0.5	95.4	48.0
2021	I	39.1	11.5	1.1	95.2	48.0
	II	42.4	10.3	2.2	99.6	53.3
	III	44.8	9.9	1.5	105.3	48.8
	IV	46.2	10.0	0.7	109.9	53.3
2022	I	39.9	9.7	2.0	122.8	44.2
	II	42.4	9.0	3.5	128.5	45.1
	III	41.5	11.2	1.3	133.9	42.0
	IV	40.1	9.2	2.8	127.0	56.7
2023	I	32.3	9.6	2.4	122.0	48.3
	II	35.6	8.7	2.7	130.7	49.0
	III	36.3	8.5	2.4	130.9	50.7
	IV	38.1	7.5	2.6	123.8	57.8
2024	I	36.1	7.1	2.8	128.9	57.2
	II	41.5	5.9	3.4	138.5	51.7
	III	43.7	5.7	1.3	140.9	49.2
	IV	45.9	5.1	2.6	138.6	52.0
2025	I	42.9	5.3	2.4	143.7	49.2
	II	46.9	4.9	2.1	152.8	43.2
	III	47.5	5.2	1.6	150.0	43.3
	IV	48.6	5.1	1.9	141.7	49.4

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

Although the physical export volumes of major mining commodities such as coal, copper concentrate, and iron ore increased compared to the previous year, growing global economic uncertainty and weakening demand led to a sharp decline in coal prices, negatively affecting export revenues. Meanwhile, weak domestic demand kept import growth at a limited level.

## 4.1. Foreign Trade

**62. Although the foreign trade balance showed a surplus, trade turnover decreased compared to the same period of the previous year.** In 2025, Mongolia traded with 158 countries worldwide, and although the trade balance recorded a surplus of 4.4 billion US dollars, total goods turnover amounted to 27.2 billion US dollars, decreasing by 1 percent compared to the same period of the previous year.

**63. Exports remained at the level of the same period of the previous year.** In 2025, Mongolia's exports reached 15.8 billion US dollars, remaining at the same level as the previous year. In the first half of the year, total exports amounted to 6.6 billion US dollars, with monthly average of 1.1 billion US dollars. In the second half, goods and services worth 9.2 billion US dollars were exported, with a monthly average of 1.5 billion US dollars, representing an increase of approximately 30 percent compared to the first half of the year. The growth was mainly driven by increased exports of coal and copper concentrate.

**64. Although the physical volume of coal exports increased, the border price declined.** In 2025, coal exports reached 90.0 million tons, increasing by 7.5 percent compared to the same period of the previous year, while the border price decreased by 38 percent compared to the same period of the previous year. As a result, coal export revenue decreased by 34 percent, having a negative impact on the overall export growth.

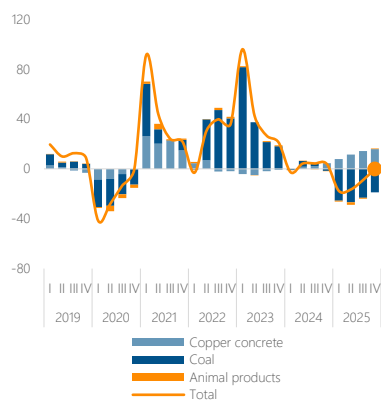
**65. Exports of copper concentrate and iron ore increased.** In 2025, copper concentrate exports reached 2,290 thousand tons, increasing by 35 percent compared to the same period of the previous year, and iron ore exports reached 8,846 thousand tons, increasing by 18 percent compared to the same period of the previous year. This growth is attributable to increased extraction due to the impact of the underground mine and improved railway transport organization.

**66. Driven by growth in the processing industry, exports of agricultural products increased.** In connection with growth in the processing sector and the decision to mandate combing of cashmere before export, in 2025 livestock meat exports reached 313 million US dollars, increasing by 17 percent compared to the previous year, and cashmere exports increased by 2 percent compared to the previous year.

**67. Trading activity at the mining products exchange increased.** In 2025, the Mining Products Exchange traded 22.8 million tons of coal worth 1 billion 554 million US dollars, 5,894 thousand tons of iron ore and concentrate worth 378 million US dollars, and 45.3 thousand tons of copper concentrate worth 106 million US dollars. Due to government measures aimed at boosting exports — such as selling thermal coal on an indexed basis and giving it priority passage through the Gashuunsukhait border port — mining exchange trading began to recover from the third quarter of 2025.

Figure 4.1. Exports

1. Export growth (percent)



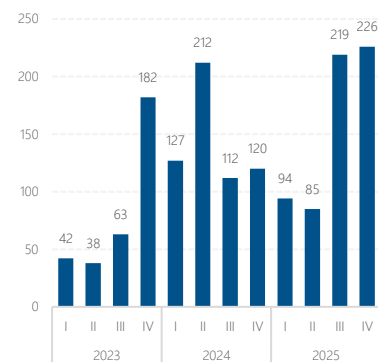
Source: MCGA

2. Export volumes of main commodities

Product	2024	2025	Growth
Copper concentrate /thousand.ton/	1,695	2,290	35%
Coal /million ton/	83.8	90.0	7.5%
Gold /kg/	11.7	10.8	-7%
Iron ore /thousand.ton/	7,510	8,846	18%
Crude oil /thousand.bbl/	4,074	3,532	-13%

Source: MCGA

3. Coal trades at the Mining commodity exchange



Source: MCGA

**68. 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 2025, imports decreased by USD 303 million, or -2.6 percent, compared to the previous year, and import demand weakened. Considering the annual change in imports by product group, the decline in total imports was negatively affected by investment products (-1.6 percentage points), consumer goods (-0.5 percentage points), and industrial inputs (-0.2 percentage points).

**69. A slowdown in passenger car imports reduced consumer product imports.** Imports of consumer products reached USD 4.1 billion, declining by -1.3 percent compared to the same period of the previous year. The main contributors to this decline were passenger cars and gasoline imports. Due to the decision not to issue state vehicle registration license plates in the capital city to passenger cars older than 10 years, passenger car imports reached USD 1,003 million, decreasing by -5.5 percent compared to the previous year. Following the decline in passenger car imports, gasoline imports reached USD 602 million, decreasing by -6.4 percent. Meanwhile, imports of essential household goods such as food and medicines increased by 4 percent and 11 percent, respectively.

**70. Imports of construction materials increased due to the intensification of construction work on projects.** In 2025, imports of construction materials reached USD 1,452 million, an increase of 10 percent compared to the same period of the previous year. Construction of major projects such as the Oil Refinery, the Erdeneburen Hydroelectric Power Plant, the Selbe Sub-Center, and the cross-border railway at the Gashuunsukhait-Gantsmod port supported the growth of construction materials imports.

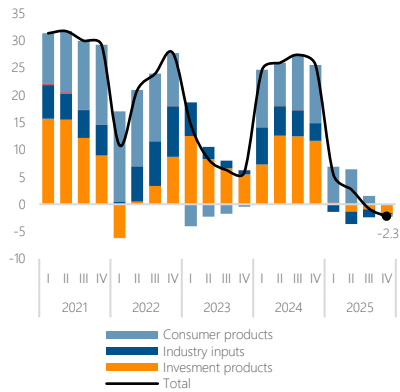
**71. The cost price of imported goods increased.** The import price index reached 102.8 percent, an increase of 2.8 percent compared to the same period of the previous year. In particular, price increases in consumer products such as food, footwear, and clothing, as well as vehicles and their spare parts, contributed to the increase in the import price index. However, price declines in some groups, such as machinery and equipment, metals, and plastics, partially mitigated the growth of the index.

Inflation in Russia, which accounts for 24 percent of total imports, averaged 5.6 percent in 2025. However, AI-92 gasoline accounts for 21 percent and diesel fuel for 48 percent of imported products from that country, and price increases of these petroleum products have remained relatively low. Specifically, 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 4.2. 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	2025	Change
Passenger car	1,062	1,003	-5.5%
Food	1,169	1,217	4.1%
Construction material	1,326	1,452	9.6%
Equipment	2,284	2,297	0.6%
Fuel	2,211	2,174	-1.6%
Heavy truck	1,221	794	-34.9%
<b>Total</b>	<b>11,615</b>	<b>11,312</b>	<b>-2.6%</b>

Source: MCGA

*Box 2. Mayor of the Capital City Order No. A/1348 dated November 15, 2024*

By Order No. A/1348 of the Mayor of the Capital City dated November 15, 2024, entitled “On Approval of Criteria for Issuing State Vehicle Registration License Plates in the Capital City,” the requirements for issuing state vehicle registration license plates in Ulaanbaatar city and the criteria for determining the order of issuance were approved. Specifically, the requirements for issuing state vehicle registration license plates in Ulaanbaatar city were defined as follows:

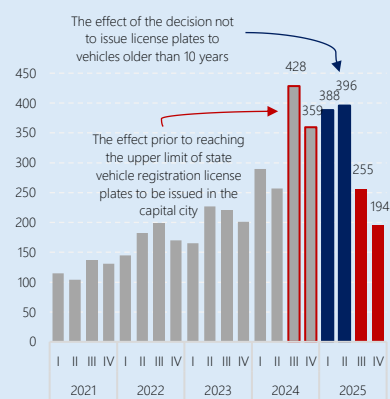
- The vehicle owner or holder must be an individual or legal entity registered in the capital city;
- Taxes, fees, violations, and fines must be fully settled;
- The vehicle must be insured;
- The engine’s environmental classification must be Euro-4 or equivalent, or higher;
- **The vehicle must have been manufactured within the last 10 years;**
- The vehicle must be at the top of the ranking determined by the approved criteria;
- **The vehicle must have undergone pre-export technical inspection.**

The requirement under this order to issue Ulaanbaatar city state vehicle registration license plates only to vehicles manufactured within the last 10 years or to new vehicles, as well as the requirement to have undergone pre-export technical inspection, was stipulated to come into effect starting June 1, 2025.

**As a result of this decision, passenger car imports increased sharply in the first half of 2025, while they declined significantly in the second half of 2025, after the decision came into force.** For example, in the first half of 2025, passenger car imports reached USD 661 million, increasing by 45 percent compared to the same period of the previous year, while the number of imported passenger cars reached 62.6 thousand units, an increase of 10 percent year-on-year. However, in the second half of 2025, passenger car imports declined to USD 342 million, down 44 percent from the same period of the previous year, and the number of imported passenger cars fell to 26.5 thousand units, a 60 percent decrease year-on-year.

By Resolution No. 18 of 2024 of the Ulaanbaatar City Council, the upper limit of state vehicle registration license plates to be issued in the capital city was set at 730,000. In connection with this, passenger car imports increased sharply in the third quarter of 2024, and the license plate limit was reached on November 1, 2024. Therefore, it is important to note that the sharp decline in vehicle imports in the second half of 2025 was also largely influenced by a base effect.

*Figure 4.3. Passenger car imports (USD million)*



Source: MCGA.

## 4.2. Balance of payments and external debt

**72. The balance of trade in goods and services improved, narrowing the current account deficit.** In 2025, imports of goods and services contracted, while the deficits in the services account and primary income account decreased compared to the same period of the previous year. In addition, merchandise exports, which had declined sharply in the first half of the year, recovered and reached USD 15.8 billion. As a result, the current account deficit narrowed to USD 2.1 billion, decreasing by 12 percent compared to the same period of the previous year.

**73. The decline in transport and construction service deficits was the main factor contributing to the improvement in the overall services account balance.** The services account deficit reached USD 2.9 billion in 2025, decreasing by USD 462 million compared to the previous year. Tourism services accounted for 35 percent or USD 1.0 billion of the services account deficit, other business services accounted for 30 percent or USD 0.9 billion, and transportation services accounted for 17 percent or USD 0.7 billion. Transport service expenses decreased by USD 140 million, while revenues increased by USD 182 million, resulting in a reduction of the transport services deficit by USD 321 million, or 40 percent, compared to the

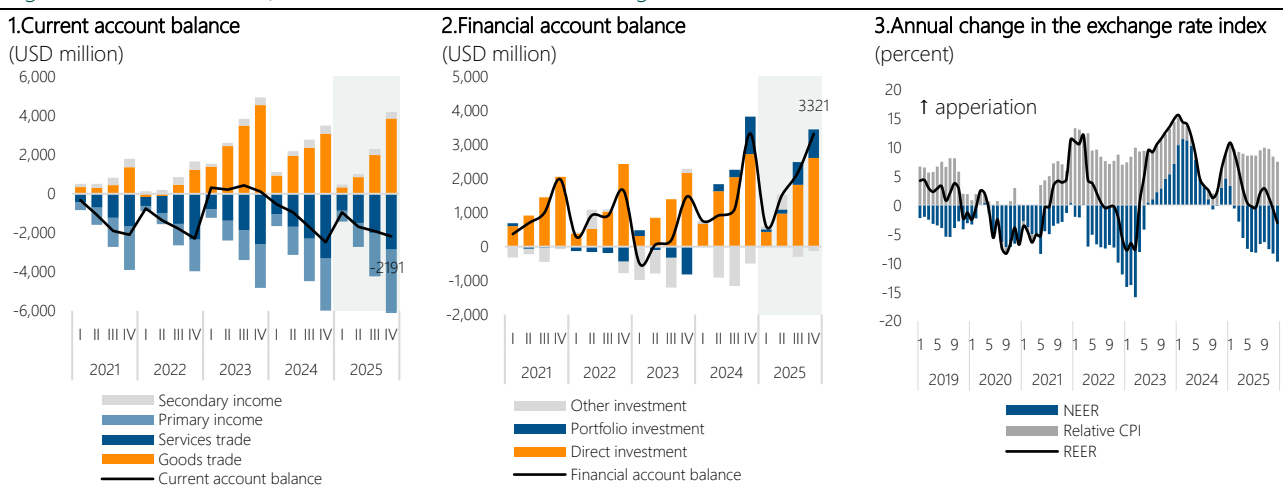
previous year. In addition, construction and installation service expenses declined from USD 224 million in the previous year to USD 115 million, which also contributed positively to the reduction of the overall services account deficit.

**74. The travel services deficit increased slightly compared to the previous year.** The total travel services account deficit reached USD 1,004 million, increasing by 5 percent from the same period of the previous year. Although expenses related to medical travel services decreased by USD 80 million, or 59 percent, compared to the previous year, expenditures on other personal travel increased by USD 220 million, which mainly drove the increase.

**75. The financial account surplus remained at the previous year's level.** The financial account surplus amounted to USD 3.3 billion in 2025. This was mainly influenced by the base effect from the first half of the previous year, when the central bank executed USD 0.6 billion in swap transaction payments, resulting in a high level of outflows in cash and current accounts.

**76. Inflows of foreign direct investment declined.** Total foreign direct investment inflows reached USD 3,831 million in 2025, decreasing by 8 percent, or USD 349 million, compared to the previous year.

Figure 4.3. Current and financial account balance, exchange rate



Source: Bank of Mongolia statistics

Source: Bank of Mongolia statistics

Source: MED calculation,

Bank of Mongolia statistics

Note: Calculated as rolling sum of four quarters.

The decline was mainly driven by a reduction in foreign direct investment in the mining sector, which amounted to USD 3,067 million, down by USD 315 million, or 9 percent, from the previous year. In addition, foreign direct investment in professional, scientific, and technical activities

**77. The international reserves, and the exchange rate of the MNT against the USD stabilized.** The international reserves reserves reached USD 7,005 million at the end of 2025, increasing by USD 1,495 million compared to the same period of the previous year and by USD 1,131 million compared to the previous quarter. 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 3,556 per USD by the end of 2025. The nominal effective exchange rate index of the MNT, weighted by the currencies of major trading partner countries, depreciated by 4.0 percent compared to the previous year, while the real effective exchange rate index, adjusted for price changes, depreciated by 3.9 percent.

**78. The current account deficit narrowed as total investment in the economy declined.** 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. At the end of 2025, the current account deficit amounted to 8.2 percent of GDP, decreasing by 1.8 percentage points compared to the previous year. When dividing the economy into the public and private sectors, the decline in investment exceeded the decline in savings for both the government and the private sector.

**79. 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 -46.2 billion by the end of 2025, equivalent to -188 percent of GDP. Foreign-owned financial assets

decreased by USD 78 million, while investment in the trade sector declined by USD 13 million. On the other hand, foreign direct investment in financial and insurance activities increased by USD 94 million, and investment in administrative and support service activities rose by USD 29 million.

totalled USD 58.6 billion, which is 4.7 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, 53 percent (USD 7.0 billion) of Mongolia's financial assets held abroad are reserve assets.

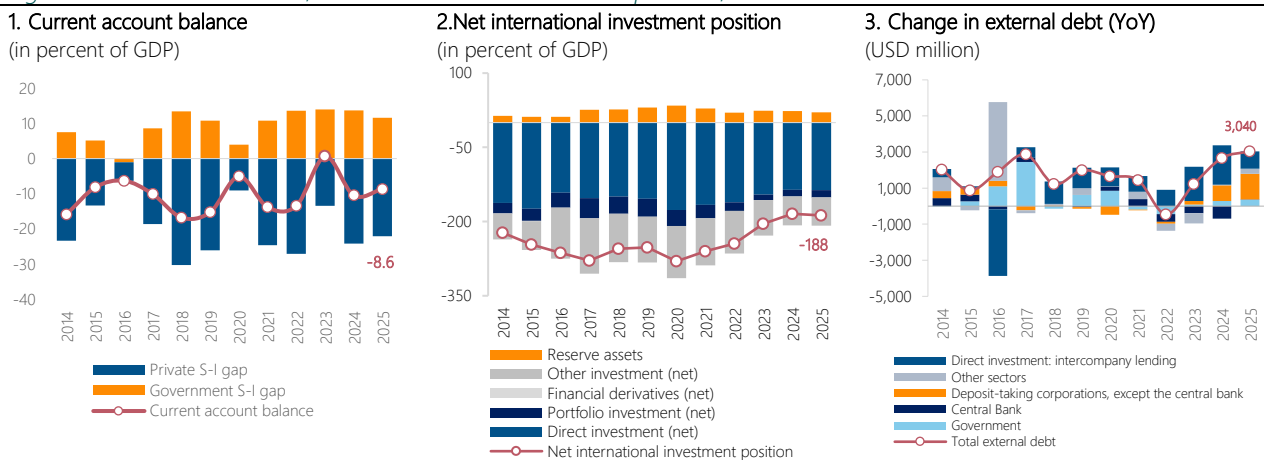
**80. Gross external debt of both the public and private sectors increased.** Mongolia's total gross external debt reached USD 40.3 billion at the end of 2025, rising by USD 3.0 billion, or 8.2 percent, compared to the previous year. By sector, the central bank's external debt increased by USD 14 million, government external debt by USD 353 million, banking sector external debt by USD 1,423 million, and other private sector external debt by USD 286 million over the same period.

**81. The majority of the increase in private sector external debt was driven by the financial and mining sectors.** The mining sector accounted for 65 percent (USD 1,730 million) of the growth in private sector external debt, while the financial and insurance sector contributed 19 percent (USD 187 million), while 41 percent (USD 1,107 million) came from the mining sector. In other sectors, outstanding external debt in the trade, information and communications, and hotel industries showed mixed changes compared to the previous year.

**82. The majority of the total external debt is comprised of direct investment and loans.** Of the total external debt, 45 percent (USD 18.2 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.

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



Source: MED calculation, Bank of Mongolia statistics

Source: MED calculation, Bank of Mongolia statistics

Source: MED calculation, Bank of Mongolia statistics

Note: Calculated as rolling sum of four quarters.

## CHAPTER V

# WORLD ECONOMY

- 5.1. World Economic Condition
- 5.2. Commodity Market Developments
- 5.3. Indexes Updated in 2024

## 5. WORLD ECONOMY

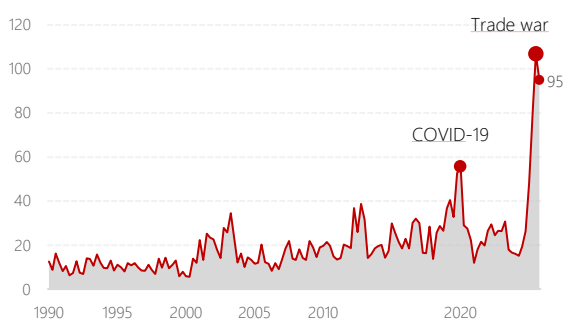
### OVERVIEW

Global uncertainty remains elevated, driven by trade tensions, geopolitical fragmentation, and policy instability, and is currently about four times higher than its average over the past decade. 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 dampened coal demand and led to a decline in prices. At the same time, the IMF has revised upward its 2026 global growth outlook, supported by a temporary easing of tariffs, increased investment in technology, and expansionary fiscal policies.

## 5.1. World Economy

**83. Uncertainty in the global economy remains elevated.** 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, and although it eased slightly in the fourth quarter, the index remains four times higher than its average over the past ten years (Figure 5.1).

Figure 5.1. World Uncertainty Index (index)



Source: Bloomberg Terminal

**84. The IMF raised its global growth projection.** In January 2026, the IMF revised its estimate of the expected outcome for global economic growth in 2025 to 3.3 percent. Although this is below the pre-pandemic average (3.7 percent), it is higher by 0.1 percentage points compared to the October 2025 forecast, 0.3 percentage points compared to the July forecast, and 0.5 percentage points compared to the April forecast. The upward revision reflects factors such as the temporary postponement of tariffs between the United States and China, increased technology investment related to artificial intelligence, improving financial market conditions, and fiscal expansion in major economies including the United States, China, and Germany. Although the economic impact of the trade war has been smaller than initially expected (in April 2025, the IMF reduced its global growth projection to 2.8 percent, or 0.5 percentage points lower than the January 2026 projection), the

expected outcome for 2025 remains at the same level as previous-year projections. The IMF projects global economic growth to reach 3.3 percent in 2026.

**85. China's economic growth reached the government's 5 percent target in 2025.** Economic growth was mainly supported by the services sector and advanced manufacturing, while the downturn in the real estate sector and persistently weak domestic demand constrained economic activity. On a quarterly basis, growth momentum slowed, with GDP growth declining from 5.4 percent in the first quarter to 4.5 percent in the fourth quarter. International organizations estimate that China's economic growth will moderate to 4-4.5 percent in 2026-2027.

**86. The Euro area economy grew by 1.4 percent in 2025, accelerating from 0.9 percent in the previous year.** Growth was supported by domestic demand, particularly the recovery of the services sector, while subdued industrial activity in Germany, which accounts for around 30 percent of the euro area economy, continued to constrain overall growth. The IMF projects euro area economic growth at 1.3 percent in 2026, supported by Germany's fiscal expansion gains traction.

**87. The US economy expanded by 2.1 percent in 2025, driven by increased technology investment and government spending.** With trade tensions temporarily easing, fiscal expansion being implemented, and technology investment related to artificial intelligence increasing, the IMF revised up its expected growth rate for the U.S. economy to 2.1 percent in 2025, an upward adjustment of 0.1 percentage points, and to 2.4 percent in 2026, 0.3 percentage points higher than the previous projection. Nevertheless, policy uncertainty, trade barriers, and a slowdown in labor market growth have resulted in economic growth softening compared to the 2024 level (2.8 percent).

## 5.2. Commodity Market Developments

**88. The average price of refined copper on the London Metal Exchange reached 9,947 US dollars per ton in 2025, increasing by 8.8 percent compared to the previous year.** As of the first 3 months of 2026, the average price of refined copper reached 12,979 US dollars per ton, increasing by 30.5 percent compared to the previous year. The disruption of operations at major copper mines in Indonesia and Chile due to accidents, which reduced copper supply, was the main factor driving up copper prices on the global market at the beginning of the year. In the medium term, copper demand is expected to increase due to growth in electricity and technology-based sectors, and prices are expected to rise. According to international analysts' forecasts, the average price of copper is expected to reach 11,900 US dollars in 2026 and 12,200 US dollars in 2027.

**89. The average price of high-quality Australian coking coal on the Singapore Exchange reached 189 US dollars per ton in 2025, decreasing by 22.4 percent compared to the previous year.** However, as of the first 3 months of 2026, it reached 233 US dollars per ton, increasing by 23.6 percent compared to the previous year. Due to heavy rainfall in Australia, mining and transport logistics operations were disrupted, and coinciding with mine maintenance delays, supply was constrained in the short term, driving up prices. According to international analysts' forecasts, the average price of coking coal is expected to reach 205 US dollars in 2026 and 215 US dollars in 2027.

**90. The average price of high-quality Australian coking coal on the Singapore Exchange reached 189 US dollars per ton in 2025, decreasing by 22.4 percent compared to the previous year.** However, as of the first 3 months of 2026, it reached 233 US dollars per ton, increasing by 23.6 percent compared to the previous year. Due to heavy

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**91. The price of iron ore (with 62 percent content) reached 102 US dollars per ton in 2025, decreasing by 7.5 percent compared to the previous year.** However, as of the first 3 months of 2026, it reached 105 US dollars per ton, increasing by 3.2 percent compared to the previous year. Increased supply from countries such as Australia and Brazil, along with the downturn in China's real estate sector, were the main factors driving down iron ore prices. Since China's real estate sector is not expected to recover in the short term, and extraction in countries such as Australia and Brazil is expected to grow steadily, iron ore prices are expected to decline. According to international analysts' forecasts, the average price of iron ore is expected to reach 95 US dollars in 2026 and 85 US dollars in 2027.

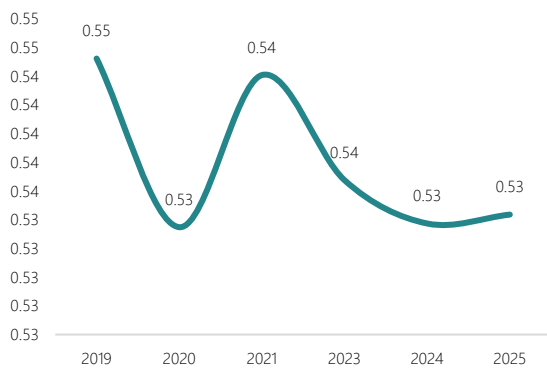
**92. The average price of Brent crude oil reached 66 US dollars per barrel in 2025, decreasing by 10.2 percent compared to the end of the previous year.** However, as of the first 3 months of 2026, it reached 72 US dollars per barrel, increasing by 9.4 percent compared to the end of the previous year. Due to reduced shipping through the Strait of Hormuz caused by conflicts in the Persian Gulf region, global oil supply decreased, which was the main factor driving up prices. With increased geopolitical uncertainty and growing risks of supply disruption, oil prices are expected to rise in 2026. According to international analysts' forecasts, the average price of Brent crude oil is expected to reach 80 US dollars in 2026 and 70 US dollars in 2027.

### 5.3. Indexes Updated Globally

#### 93. Rule of Law Indicator under the World Bank Governance Indicators

The “Rule of Law” indicator, one of the components of the World Bank’s Governance Indicators, is an important measure used to assess how effectively the rule of law is implemented within a country. The indicator evaluates multiple dimensions, including constraints on government powers, levels of corruption, fairness of civil and criminal justice systems, protection of human rights, regulatory enforcement, open government, and public safety, using a scale from 0 to 1.

Figure 5.2. World Bank Governance Indicators: Rule of Law Indicator



Source: World Justice Project, 2025

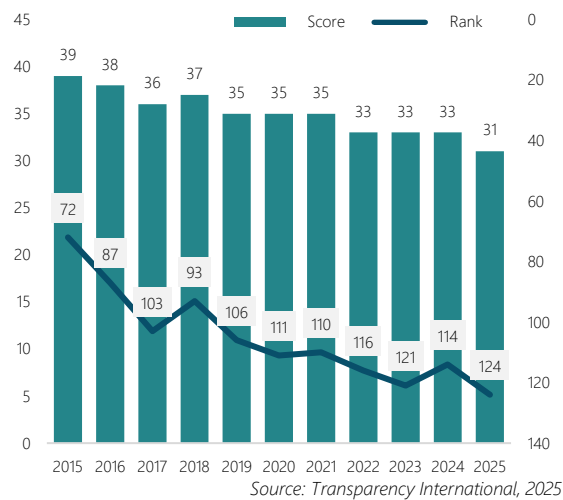
For Mongolia, the Rule of Law score was 0.55 in 2019, declining to 0.53 in 2020 and remaining around 0.54 during 2021–2023. In 2024–2025, the score stabilized at 0.53, ranking Mongolia 67th out of 163 countries. This indicates that while the country’s performance has remained relatively stable in recent years, there has been no significant improvement and the overall performance remains comparatively weak. Although Mongolia performs relatively well in terms of public order and security, indicators related to corruption, government openness, access to civil justice, and judicial independence from government influence remain weak. In particular, scores related to “absence of corruption,” “government accountability,” “right to information,” and “judicial independence” remain

around 0.4–0.5, posing ongoing challenges to the quality of the rule of law.

#### 94. Corruption Perceptions Index /Transparency international/

According to the Corruption Perceptions Index (CPI) published annually by Transparency International, Mongolia scored 31 points in 2025 and ranked 124th out of 181 countries, declining by 10 places compared to 2024.

Figure 5.3. Corruption Perceptions Index



Source: Transparency International, 2025

Transparency International’s Corruption Perceptions Index (CPI) measures expert and business perceptions of corruption in the public sector using a scale from 0 to 100, where 0 indicates a very high level of corruption and 100 indicates a very low level of corruption. The index assesses issues such as bribery in public administration, misuse of public funds, transparency in public procurement and tendering, political influence, independence of the judiciary and oversight institutions, anti-corruption legislation, and the effectiveness of accountability mechanisms. The CPI is calculated by aggregating data and assessments from multiple international institutions, including the World Bank, the World Economic Forum, and the Bertelsmann Foundation.

## 5.4. Green finance

**95. Green development and sustainable finance objectives are reflected in Mongolia’s development policy framework.** Mongolia’s long and medium term development policy documents outline phased goals and measures to promote a green economy, sustainable development, and climate change mitigation and adaptation. Policy documents such as the “Five-Year Development Guidelines of Mongolia for 2026–2030” and the Government Action Program include measures to support the development of renewable energy, energy efficiency, green buildings, sustainable infrastructure, as well as water and waste management.

As the implementation of these policy goals and measures advances, demand for financing environmentally sustainable, low-carbon, and climate-resilient projects has continued to increase, highlighting the growing importance of developing the green finance framework

### 11. Global demand for green finance and the scale of related investment continue to increase.

Driven by efforts to mitigate climate change and achieve sustainable development goals, the volume of green and climate finance has been expanding rapidly worldwide. According to projections by TheCityUK, the global green finance market is

expected to reach USD 4.7 trillion in 2026 and expand further to USD 22.7 trillion by 2035.

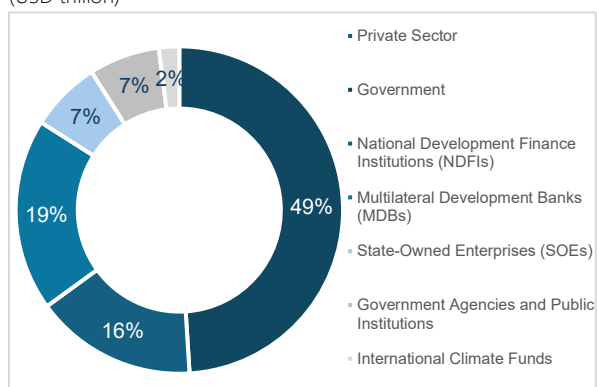
This growth has been driven primarily by the implementation of the Paris Agreement, countries’ Nationally Determined Contributions (NDCs), carbon emission reduction policies, and the continued development of green financial instruments. At the same time, the use of green bonds, sustainable finance, and blended finance instruments has continued to expand globally. Reflecting these trends, global climate finance increased from USD 364 billion in 2011–2012 to USD 1.26 trillion in 2021–2022. According to estimates by the World Meteorological Organization (WMO), annual investment requirements are projected to reach USD 8.9 trillion through 2030 and USD 10.7 trillion through 2050, underscoring the growing demand for green finance.

Private sector participation remains significant in sustainable development financing. Currently, 49 percent of green finance sources are provided by the private sector, while national governments and public budgets account for 19 percent, and national development finance institutions contribute 16 percent.

### 12. Measures to strengthen green project assessment and project readiness are being

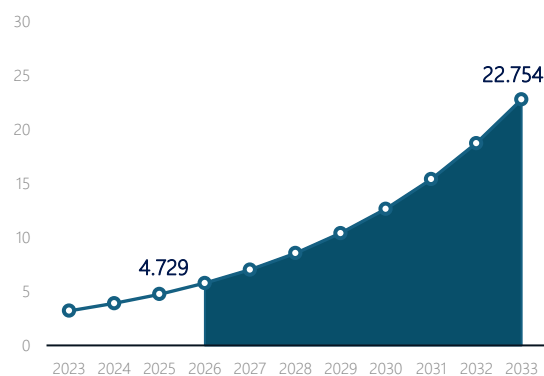
Figure 5.4. Growth and sources of green finance

1. Global green finance volume (USD trillion)



Source: TheCityUK

2. Composition of global green finance sources (percent)



Source: Climate Policy Initiative – Global Landscape of Climate Finance

**implemented.** As part of efforts to enhance financing readiness for green projects, a project database has been established and projects have been evaluated in accordance with the classification and threshold criteria set under the Sustainable Finance Taxonomy. A total of 282 projects have been consolidated into the database, with projects related to energy efficiency, climate change mitigation, and sustainable water and waste management accounting for the largest share. Among them, 43 projects were assessed under the green classification framework, of which 28 met the required threshold criteria. Financing sources have been secured for 8 projects, while 14 projects continue to require financing and 6 projects require feasibility studies and technical design development. The majority of the projects are concentrated in the energy, sustainable water, waste management, and low-carbon transport sectors.

Measures are being implemented in phases to further strengthen the financing readiness of these projects and mobilize domestic and international green investment and concessional financing.

**13. The Ministry of Economy and Development is defining the policy direction for the development of Mongolia’s green finance framework.** In support of

the transition toward low-emission and climate-resilient development, the Ministry is developing a draft Green Finance Strategy. The strategy is aligned with “Vision-2050”, the Government Action Program, and Mongolia’s Nationally Determined Contribution (NDC 3.0), and aims to promote a more coordinated and strategic approach to mobilizing public, private, and international financial flows to support the green transition. The strategy also includes regulatory measures aimed at strengthening public financial alignment, increasing private sector investment, attracting international financing through program-based approaches, and enhancing institutional coordination within the green finance system.

Within the framework of the strategy, phased measures will be identified to gradually increase public, international, and private financial flows in line with green financing needs and priorities. The strategy will also focus on creating conditions to attract green investment, strengthening policy support mechanisms, developing green financial products and financing instruments, and aligning budget flows with environmentally sustainable objectives.

### *BOX 1. WHAT IS GREEN FINANCE?*

Green finance refers to financial flows, investments, financial products, and financing mechanisms that support projects and activities with positive environmental impacts, including climate change mitigation and adaptation, as well as the sustainable and efficient use of natural resources. It encompasses investments in sectors such as renewable energy, energy efficiency, green buildings, sustainable transport, water and waste management, and nature-based solutions.

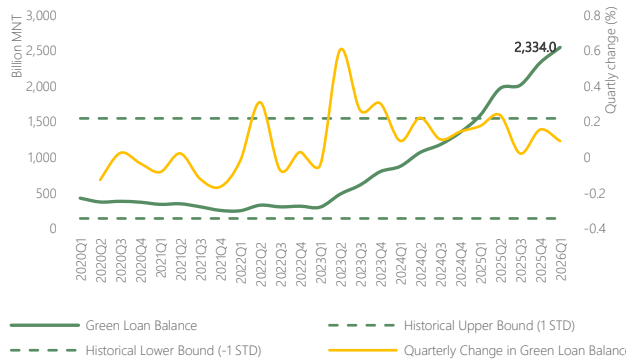
Globally, it is increasingly recognized as a key component of financial systems that support sustainable development. The World Bank defines green finance as financing that contributes to climate change mitigation and adaptation, as well as the protection of natural resources and biodiversity. The Organisation for Economic Co-operation and Development (OECD) considers financing that promotes resource efficiency, lower carbon emissions, and sustainable production and consumption to fall within the scope of green finance. The United Nations Environment Programme (UNEP) also emphasizes the importance of aligning public and private financial flows with sustainable development objectives as a central element of green finance.

**The following terms and concepts are widely used in the field of green finance internationally:**

- 1. Green Bond:** A debt financing instrument issued to finance projects and programs with positive environmental impacts.
- 2. Sustainable Finance:** A financing framework that incorporates environmental, social, and governance (ESG) factors into financial decision-making to support long-term sustainable development.
- 3. Climate Finance:** Public and private investment and financing aimed at supporting climate change mitigation and adaptation measures.
- 4. Green Economy:** An economic development model characterized by low carbon emissions, resource efficiency, and environmental sustainability.
- 5. ESG (Environment, Social, Governance):** A framework used to assess environmental, social, and governance factors in investment, financing, and corporate activities.
- 6. Blended Finance:** A financing mechanism that combines public and development finance with private investment to support projects with development impact.
- 7. Green Taxonomy:** A classification framework that defines the criteria and categories for economic activities, projects, and investments considered "green".
- 8. Carbon Market:** A market-based system for trading carbon credits and emission units aimed at reducing greenhouse gas emissions.
- 9. Transition Finance:** Financing aimed at supporting the gradual transition of high-emission sectors and industries toward low-emission and sustainable models.

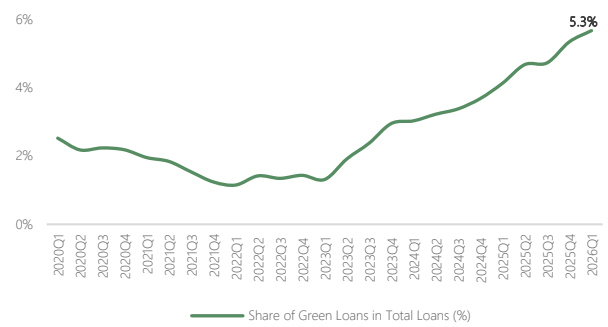
Figure 5.5. Green lending overview

1. Outstanding green loan balance by quarter



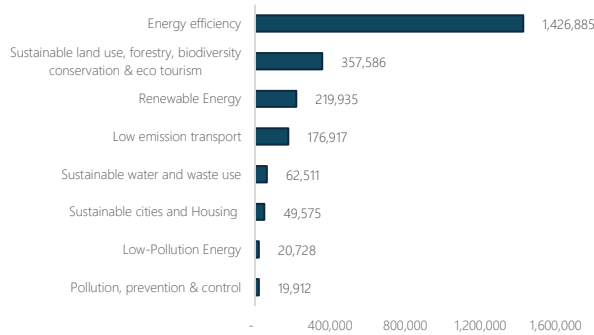
Source: Bank of Mongolia

2. Share of green loans in total outstanding loan balance by quarter



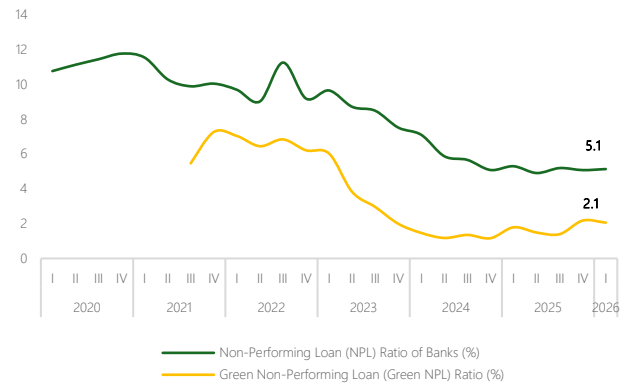
Source: Bank of Mongolia

3. Outstanding green loan balance by sector (billion MNT)



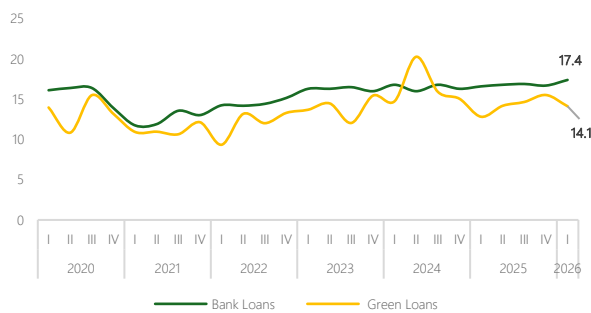
Source: Bank of Mongolia

4. Non-Performing loan ratio of total loans and green loans of banks



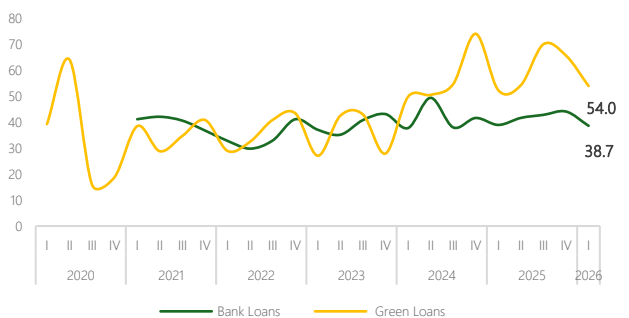
Source: Bank of Mongolia

5. Weighted average interest rate on newly issued MNT loans (percent, annual)



Source: Bank of Mongolia

6. Weighted average maturity of newly issued MNT loans (months)



Source: Bank of Mongolia

## CHAPTER VI-VII

# MONGOLIAN ECONOMIC HISTORY

6. Macroeconomic Conditions (2021-2025)

7. Macroeconomic Conditions (2006-2020)

## 6. Macroeconomic Conditions (2021-2025)

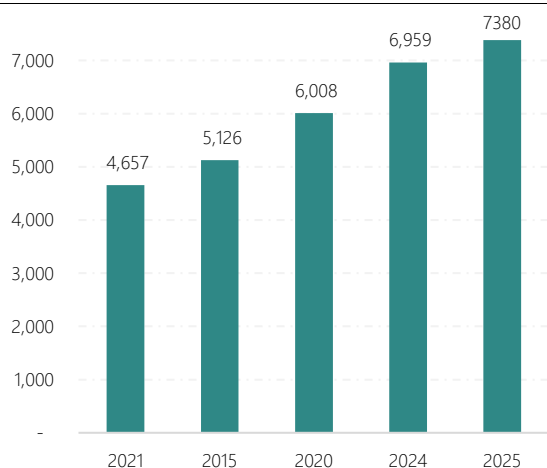
### 6.1. Economic growth

The Mongolian economy expanded by 6.8 percent in 2025 according to preliminary estimates, while nominal gross domestic product (GDP) increased 2.4 times from its 2020 level to reach MNT 89.9 trillion.

Per capita nominal GDP reached USD 7.4 thousand in 2025, representing an increase of 1.8 times compared to 2020.

In terms of economic structure, the shares of the mining, transportation, and financial and insurance sectors have increased over the past five years, while the shares of the information and communications and trade sectors have remained broadly stable. In contrast, the shares of agriculture, manufacturing, construction, and energy sectors have declined.

Figure 6.1. GDP per capita (USD)

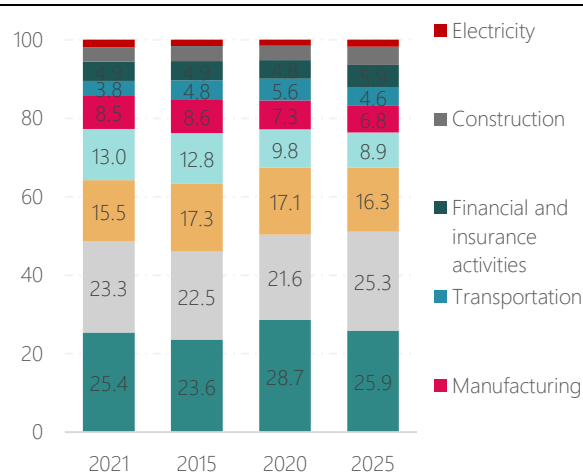


Source: National Statistical Office

The average output of the mining sector reached MNT 17.5 trillion during 2021-2025, increasing by 128 percent compared to the previous five-year average. However, in real terms (at 2015 constant prices), output stood at MNT 3.9 trillion, reflecting a slight decline of 0.8 percent compared to the preceding five-year period. In comparison, the transportation sector's output averaged MNT 3.3

trillion during 2021-2025, increasing by 131.6 percent in nominal terms and reaching MNT 1.7 trillion in real terms, up by 23.8 percent from the previous five-year average.

Figure 6.2. Economic structure (percent)



Source: National Statistical Office

Within the framework of Government Resolution No. 362 of 2022, titled "On Certain Measures to Increase Foreign Exchange Reserves," several structural reforms were implemented, including the introduction of automated customs and tax systems, formalization of mineral contracts, and improvements in cross-border connectivity, transportation, and logistics. As a result, export capacity expanded significantly, primarily supporting growth in the mining and transportation sectors.

Coal production reached 85.3 million tons in 2023, increasing 2.3 times compared to the previous year, while coal export revenue amounted to USD 8.9 billion, rising by 29 percent year-on-year and accounting for 58 percent of total exports. In addition, under the implementation of this resolution, railway tariffs were revised in 2022 and sectoral liberalization was initiated in stages to promote investment. For example, tariff

adjustments were made for 16 categories of domestic freight and 2 categories of passenger transport of Ulaanbaatar Railway JSC, while the unified transit tariff discount for China–Russia container transportation was reduced from 61 percent to 51 percent.

The agricultural sector's output<sup>4</sup> averaged MNT 6.7 trillion during 2021-2025, increasing by 76 percent compared to the previous five-year average. In real terms (at 2015 constant prices), output reached MNT 3.7 trillion, reflecting a modest increase of 1 percent. Although the livestock sub-sector-which accounts for around 90 percent of agricultural output-contracted in recent years due to severe dzud conditions, total sectoral output is estimated to have rebounded by 33.2 percent in 2025 according to preliminary results. Specifically, livestock losses reached 3.0 million head in 2021 (4 percent of the starting stock), 4.9 million head in 2023 (7 percent), and 9.4 million head in 2024 (14 percent), leading to a decline in total livestock to 57.6 million head by end-2024.

Improved weather conditions in 2025 contributed to a decline in livestock losses and a recovery in herd size, reaching 58.1 million head by year-end. However, approximately 20 million livestock were slaughtered for consumption, limiting herd growth. As a result, although recovery was anticipated, the growth rate of livestock numbers in 2025 remained 3 percent below the average of the previous five years.

Wheat, which accounts for around 60 percent of total cultivated land, recorded a gradual decline in cultivated area during 2021-2024. In response, Mongolia launched the "Food Supply and Security" national movement initiated by the President, aiming to ensure food security, meet domestic demand, and intensify the development of

agriculture and livestock sectors. The Parliament adopted Resolution No. 36 in 2022, providing the legal framework for implementation. Under this program, policies were introduced to support domestic production of key staple crops such as potatoes, beets, carrots, onions, and cabbage. By 2024, concessional loans totaling MNT 1,261 billion had been provided to 3,160 enterprises, supporting vegetable production. As a result, the cultivated area for potatoes and vegetables averaged 36 thousand hectares during 2021-2024, increasing by 11 thousand hectares compared to the previous five-year average, while total harvest reached 397 thousand tons, 1.4 times higher than the previous five-year average.

However, lower-than-average rainfall in major agricultural regions during the first half of 2025 led to declines in output<sup>5</sup>, with total grain harvest decreasing by 148.6 thousand tons, potatoes by 137.3 thousand tons, vegetables by 42.5 thousand tons, and fodder crops by 61 thousand tons compared to the previous year. Approximately 55 percent of the manufacturing sector is composed of meat and meat products, beverage production, and the production of non-metallic mineral products. Within this, meat and meat products, which account for around 30 percent of the sector, reached an average annual real output of MNT 800 billion (at 2015 constant prices) during 2021-2025, expanding by 21 percent compared to the previous five-year average and supporting overall manufacturing growth. In February 2023, the Government removed quantitative restrictions on meat exports, and from July 1, 2023, introduced the "One-stop electronic system for export certificates," which significantly boosted meat exports to record levels and had a substantial positive impact on meat processing activity. As a result, processed meat production averaged 47.5 thousand tons per year

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<sup>4</sup> In nominal terms, agricultural sector output reached MNT 4.9 trillion in the first half of 2025, increasing by 44 percent compared to the same period of the previous year.

<sup>5</sup> Manufacturing sector output amounted to MNT 2.0 trillion in nominal terms during the first half of 2025, representing a growth of 9 percent year-on-year.

during 2021-2025, increasing 1.5 times compared to the previous five-year average.

The beverage sub-sector (alcoholic and non-alcoholic), accounting for around 15 percent of manufacturing, recorded an average annual real output of MNT 377 billion (at 2015 constant prices) during 2021–2025, expanding by 32 percent compared to the previous five-year average and contributing positively to sectoral growth. In addition, average annual production during 2021-2025 reached 416 million liters for bottled water, soft drinks, and juices (up 1.4 times), 97 million liters for beer (up 1.1 times), and 27.6 million liters for spirits (up 1.1 times), respectively.

The production of non-metallic mineral products-including cement, bricks, lime, gypsum, and stone products-which accounts for around 10 percent of the sector, averaged MNT 323 billion annually in real terms (at 2015 constant prices) during 2021-2025, increasing by 109 percent compared to the previous five-year average.

In contrast, several sub-sectors recorded declines, weighing on overall growth. Real output of dairy products, which account for around 5 percent of the sector, decreased by 9 percent compared to the previous five-year average. Similarly, production of grain flour, starch, and starch products (around 2 percent of the sector) declined by 13 percent, while textile production (around 3 percent) decreased by 34 percent. To significantly increase the preparation, production, and export of livestock-based raw materials and products, the Parliament adopted Resolution No. 63 in 2024, titled “On Certain Measures to Support the Processing Industry of Livestock Raw Materials.” Within the framework of this resolution, the “White Gold” movement was implemented, and as of 2025, a total of MNT 228 billion in working capital and investment loans was

provided to 46 enterprises to support domestic production. As a result, combed cashmere production reached 4.0 thousand tons by end-2025, increasing 6.4 times compared to the same period of the previous year, while cashmere exports amounted to USD 358 million.

The construction sector’s output<sup>6</sup> averaged MNT 2.3 trillion during 2021-2025, increasing by 111 percent compared to the previous five-year average. However, in real terms (at 2015 constant prices), output reached MNT 0.9 trillion, reflecting a slight decline of 0.1 percent compared to the previous five-year period. Total investment in the construction sector averaged MNT 8.1 trillion during 2021–2024, expanding by 1.9 times (or MNT 3.8 trillion) compared to the previous five-year average, of which 48 percent was accounted for by public investment. Average public investment reached MNT 4.0 trillion during 2021-2025, increasing by 132 percent compared to the previous five-year average. Public investment played a key role in supporting construction sector growth, particularly through the development of hospitals, schools, industrial facilities in Umnugovi aimag, and infrastructure projects in Ulaanbaatar, including roads, dams, channels, pipelines, and utility networks. At the same time, increasing private sector investment significantly contributed to sectoral expansion, particularly through residential construction projects, the Tavantolgoi-Manlai-Khangai port dedicated road, the Zuunbayan-Khangai railway, and major energy infrastructure projects such as the Booroljuut and Toson thermal power plants. These developments collectively served as the main drivers of growth in the construction sector.

The trade sector’s output averaged MNT 7.0 trillion during 2021-2025, increasing by 122.4 percent compared to the previous five-year average. In real

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<sup>6</sup> Construction sector output reached MNT 0.7 trillion in nominal terms in the first half of 2025, increasing by 29 percent compared to the same period of the previous year.

terms (at 2015 constant prices), output reached MNT 3.5 trillion, representing a growth of 20.0 percent over the same period. To mitigate the adverse economic and financial impacts caused by the COVID-19 pandemic, the Government approved the “Comprehensive Plan for Protecting Health and Revitalizing the Economy (MNT 10 trillion program).” Approximately 50 percent of total loans issued under the program were provided in the form of employment support loans, which stimulated domestic economic activity and contributed to the growth of the trade and services sectors.

The energy sector’s output averaged MNT 1.0 trillion during 2021-2025, increasing by 84.7 percent compared to the previous five-year average. In real terms (at 2015 constant prices), output reached MNT 0.7 trillion, reflecting a growth of 35.6 percent. Although total energy consumption has been increasing steadily by an average of 6-10 percent annually, driven by economic expansion, supply constraints persist due to insufficient infrastructure capacity and the aging of transmission networks and equipment, with an average operational lifespan of 32-62 years. In response, under Resolution No. 106 of 2021 of the Parliament, titled “On Approving the New Revival Policy,” the Government initiated the “Energy Revival” program. This program aims to expand energy supply capacity through the construction of new generation sources and the development of transmission and distribution networks, thereby improving the reliability of energy production and supply. Major energy projects and programs have been launched under this framework. Despite ongoing increases in electricity generation, supply continues to lag behind growing demand. Consequently, reforms were introduced in 2024 to liberalize the energy sector by raising electricity prices toward cost-recovery levels, alongside measures to strengthen the financial and economic sustainability of the sector.

From the aggregate demand perspective, economic growth was significantly affected by the COVID-19 pandemic. Beginning in February 2020, nationwide lockdown measures were imposed, disrupting virtually all types of business activities. As a result, consumer lending declined by 9.2% in 2020, while in 2021, the employment rate fell by 2.3 percentage points and households’ real wage income declined by 14.3%, resulting in stagnant household real income growth. The decline in household real income gradually weakened household consumption, one of the largest components of gross domestic product (GDP). Consequently, household consumption contracted by 5.9% in 2021, slowing domestic economic circulation. During the early stages of the pandemic, households increased food stockpiling, which contributed to a 5.7% increase in food consumption in 2020. However, due to the high base effect, food consumption growth slowed in 2021. Furthermore, the government implemented utility payment relief measures from December 1, 2020, exempting households and certain businesses from electricity, heating, water, and waste service fees. As a result, household spending on non-food goods remained stagnant in 2020 and declined by 5.5% in 2021. During periods of strict lockdown, expenditures on entertainment and transportation declined sharply, while household spending on services contracted by 5.0% in 2020 and 6.7% in 2021, further dampening overall household consumption. The slowdown in consumption also contributed to increased savings. In addition, the government introduced several social protection measures aimed at safeguarding household livelihoods, including increases in child benefits, welfare transfers, social assistance, and vaccination-related incentives. These measures supported household savings growth, which increased by 26.0% in 2020 and 6.1% in 2021. Lockdown restrictions were gradually eased during the second half of 2021, and economic activities fully resumed beginning in 2022. Supported by pent-up demand, accumulated

savings, and recovering consumer confidence, household purchasing activity intensified in late 2022 and throughout 2023. As a result, household consumption expanded by 8.1% in 2022 and 9.7% in 2023, contributing significantly to economic recovery. During the pandemic, strict border restrictions imposed by China and the implementation of its “Zero-COVID” policy disrupted border and customs operations, leading to declines in exports of goods and services by 5.3% in 2020 and 14.6% in 2021. This represented one of the primary factors constraining economic growth. In contrast, transportation and logistics disruptions eased in 2022, while global coal prices increased substantially. Consequently, Mongolia’s average border export price of coal rose to USD 204 per ton during the second half of 2022. Simultaneously, the Government adopted Resolution No. 362 to accelerate exports and strengthen foreign exchange reserves. The implementation of this policy contributed to increased coal export volumes beginning in the latter half of 2022, becoming a major driver of economic recovery. Although coal prices declined to USD 105 per ton in 2023, export revenues continued to grow due to rising export volumes, thereby sustaining economic recovery. Notably, the real growth of merchandise exports reached 30.0% in 2022 and 31.2% in 2023. The gradual increases in salaries and incentives for public sector employees significantly contributed to government consumption growth, which averaged 8.4% annually between 2020 and 2024. Additionally, higher export revenues contributed to a nominal increase in fiscal revenues, averaging 35.0% annually between 2021 and 2023. Consequently, nominal government consumption grew by 22.2% in 2023 and 36.2% in 2024. Strict border controls and China’s “Zero-COVID” policy also led to substantial stockpiling of unsold mining commodities, causing gross capital formation to rise sharply by 80.7% in 2021. However, as exports recovered from 2022 onward and coal inventories

gradually declined, capital accumulation growth normalized to 11.2%.

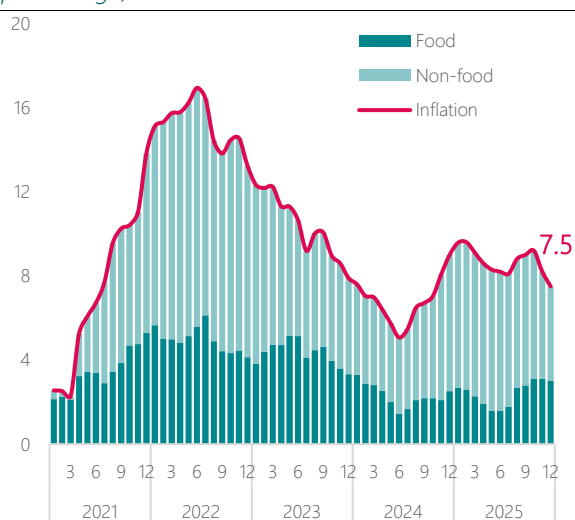
From the financing perspective, lending had declined by 5.0% in 2019 and 6.0% in 2020 but rebounded strongly, growing at an annual average rate of 26.3% between 2021 and 2024. Similarly, public investment increased by 33.7% in 2023 and 50.5% in 2024. Supported by the expansion of investment financing, fixed capital formation grew at an annual average of 13.4% between 2021 and 2024. Moreover, accelerated construction activities at the underground mine of Oyu Tolgoi, along with increased imports of heavy-duty trucks used for coal transportation, contributed to a 21.7% average annual increase in machinery, equipment, and transport vehicle imports between 2021 and 2024, further supporting capital accumulation growth. From the aggregate demand perspective, economic growth accelerated to 6.9% in 2025 compared to the previous year. Sustained activity in the mining sector, increased exports, and declining imports led to a 12.0% increase in net exports, making it the primary driver of economic growth. Final consumption also expanded by 5.7%, contributing positively to overall growth. Although government consumption declined, household real income growth remained stable throughout the year, resulting in a 9.2% increase in household consumption in 2025 and supporting final consumption growth. A major contributing factor was the government’s decision to increase public sector wages, pensions, and social benefits from January 1, 2025, in line with inflation. As a result, household wage income maintained stable quarterly growth averaging around 4.0%, while household real income growth remained steady throughout the year. In addition, increased agricultural production contributed to higher household income from agricultural products, further supporting overall household income growth.

## 6.2. Inflation

Over 2021–2025, the inflation rate reached an annual average of 9.8 percent, which was 5.3 percentage points higher than the average of the previous five years, and it was highly volatile owing to uncertainty in the external and domestic environment.

Prices of food products rose by an average of 14 percent per year over 2021–2024, accounting for 3.7 percentage points of total inflation. Meat, vegetables, flour and flour-based products, and dairy products were the main contributors to food inflation. In particular, over 2021–2022, food inflation accelerated owing to supply-side factors such as transportation and logistics difficulties and delays caused by the pandemic, the rise in the global food price index, and outbreaks of highly contagious livestock diseases. Also in 2022, driven by production costs, fuel, and weather-related difficulties, the prices of flour and flour-based products rose by up to 34.2 percent, adding 2.4 percentage points to inflation. Meanwhile, owing to the dzud that occurred in 2023–2024, abnormal livestock losses reached 9.4 million head in 2024, causing meat prices to rise more sharply than their seasonal trend from late 2024 and adding 1.2 percentage points to inflation.

Figure 6.3. Inflation components (percentage)



Source: National Statistics Office

Prices of non-food goods and services rose by an average of 8.2 percent per year over 2021–2024, accounting for 6.2 percentage points of total inflation. Price increases in clothing, textiles, footwear, transportation, and education services were major contributors to non-food inflation. In particular, in 2021, as the price of oil on the global market rose, the price of fuel increased sharply from MNT 1,450 to MNT 2,200, adding 2.2 percentage points to inflation. In 2022, owing to factors such as heightened geopolitical tensions, rising inflation in trading-partner countries, increases in fuel prices, and continued transportation and logistics delays, inflation of imported goods reached 16.5 percent, accounting for the bulk of total inflation. In addition, due to China's "Zero-COVID" policy, customs operations were suspended and export revenue declined, causing foreign currency reserves to fall to USD 2.7 billion in August 2022—a level covering just three months of the country's import payments. The decline in foreign currency reserves intensified the depreciation of the domestic currency, which in turn contributed to higher prices for imported goods. However, as the Government's Resolution No. 362 of 2022 began to be implemented, official foreign currency reserves increased, and the foreign exchange market stabilized, so import inflation gradually declined, having a positive effect on stabilizing inflation. At the same time, AI-92 gasoline—which has a strong effect on inflation—began to be purchased at a discounted price from March 2023 under an agreement between the Ministry of Industry and Mineral Resources and Rosneft, creating conditions for price stability and stabilizing its effect on inflation in the transportation group. As a result, inflation was on a declining trend and within the central bank's target through the first half of 2024; however, as demand-side inflation rose on the back of economic activity, and the growth of import and service prices accelerated, inflation rose in the second half of the year.

### 6.3. Labor

The resident population grew at an average annual rate of 1.7 percent during 2016–2020. However, population growth slowed to an average of 1.4 percent during 2021–2024. As of 2024, Mongolia’s resident population reached 3.44 million. Of this total, 66 percent, or two out of every three persons, were of working age, bringing the working-age population to 2.35 million.

Employment stood at 1.21 million persons in 2021 and grew at an average annual rate of 4 percent during 2021–2024, reaching 1.36 million in 2024. Meanwhile, the number of unemployed persons rose to 109 thousand in 2021 due to the impact of the pandemic, pushing the unemployment rate to 8.3 percent. Following the pandemic, labor market conditions improved and unemployment declined to 72.6 thousand persons in 2023 before increasing slightly to 85.4 thousand in 2024. As a result, the unemployment rate stood at 5.3 percent in 2023 and 5.9 percent in 2024.

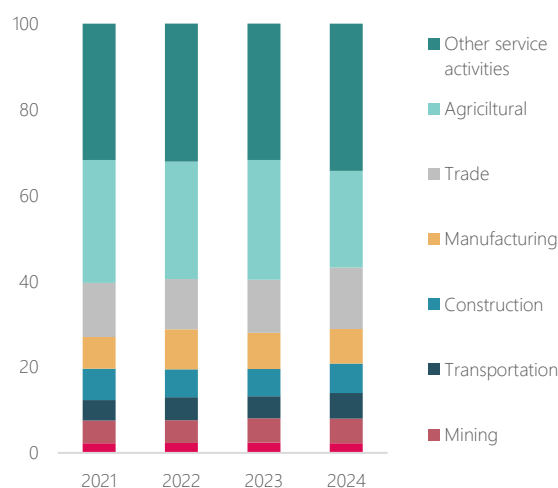
The labor force increased from 1 million 317 thousand persons in 2021 to 1 million 441 thousand in 2024. However, relative to the working-age population, the labor force participation rate has not yet fully returned to its pre-pandemic level. Specifically, the participation rate stood at 62.8 percent in 2019 before the pandemic, declined to 59.1 percent in 2021 during the pandemic, and subsequently recovered as economic activity strengthened. Nevertheless, it remained at 61.3 percent in 2024, below the pre-pandemic level.

The population outside the labor force remained broadly stable, increasing slightly from 910 thousand persons in 2021 to 912 thousand in 2024.

By sector, one out of every three employees, or 465 thousand persons, worked in the service sector in 2024. The share of service sector employment in total employment increased from 32 percent in 2021 to 34 percent in 2024. In contrast,

employment in the agricultural sector declined significantly. The sector employed 346 thousand persons in 2021, accounting for 29 percent of total employment. However, following two consecutive years of severe dzud conditions, the number of

Figure 6.4. Number of employees, by sector (percentage)



Source: National Statistical Office

employees fell to 305 thousand in 2024, reducing its share of total employment to 22 percent. In the trade sector, employment stood at 152 thousand persons in 2021, representing 13 percent of total employment. Although employment declined slightly in 2022 and 2023, growth in sectoral activity led to an increase in the number of employees to 195 thousand in 2024, accounting for 14 percent of total employment. Meanwhile, employment in the mining sector increased steadily from 63 thousand persons in 2021. Supported by continued sectoral expansion, employment in mining grew at an average annual rate of 9 percent, reaching 77 thousand persons in 2024.

While labor productivity growth remained broadly aligned with overall economic growth, productivity disparities across sectors widened further. Average labor productivity per employee amounted to MNT 21.2 million in 2021. Over the subsequent four years, productivity increased at an average annual rate of 2 percent, reaching MNT 22.6 million in 2024. By sector, mining remained among the most productive industries. However, labor productivity

in the mining sector declined from MNT 58.5 million in 2021 to MNT 56.7 million in 2024, representing a decrease of 3 percent. In contrast, productivity in the financial and insurance sector increased significantly. Having recorded labor productivity of MNT 52.3 million in 2021, the sector's productivity rose by 24 percent to MNT 64.8 million in 2024, making it the most productive sector in the economy. The accommodation and food service sector, which recorded the lowest productivity level in 2021 at MNT 7.4 million, experienced substantial

improvement. Labor productivity in the sector increased by 56 percent to MNT 11.5 million in 2024. On the other hand, labor productivity in the agricultural sector declined considerably. Having stood at MNT 11.0 million in 2021, productivity fell by 24 percent to MNT 8.4 million in 2024, making agriculture the least productive sector in the economy.

## 6.4. Fiscal

Before the pandemic, in 2019, total budget revenue amounted to MNT 12.0 trillion or 31.8% of GDP, while total expenditure stood at MNT 11.7 trillion, or 30.8% of GDP. Over the subsequent five years, supported by strong expansion in the mining sector, both revenue and expenditure expanded significantly. By 2025, budget revenue had risen to MNT 32.6 trillion or 36.3% of GDP, while budget expenditure reached MNT 31.3 trillion or 34.8%<sup>7</sup> of GDP, both representing an approximately threefold increase relative to 2019 levels.

For instance, supported by elevated global commodity prices and the expansion and modernization of export border crossings, coal export volumes reached 69.6 million tons in 2023 and 83.8 million tons in 2024, respectively. As a result, budget revenue generated from the mining sector approximately doubled compared to the pre-pandemic period.

In addition, with the implementation of Government Resolution No. 362 of 2022, "On Certain Measures to Increase the State Foreign Exchange Reserves," a mining exchange system was established to sell minerals through open auctions. By introducing electronic registration at all stages from mineral extraction to export, and by simplifying and automating tax calculation and reporting, the shadow economy was reduced and transparency increased, leading to improved budget revenue collection.

Total consolidated budget expenditure increased by an average annual rate of 18.1 percent during 2021–2025, reaching MNT 31.3 trillion, or 34.8 percent of GDP, in 2025. Looking at the expenditure structure over the last five years, current expenditure increased by 18.2% in 2021 compared

to the same period of the previous year, reaching 29.4% of GDP. In 2022, with the implementation of the Law on Savings, the growth rate slowed, increasing by 11.1% and reaching 26.4% of GDP. The growth of current expenditure accelerated again in 2023, increasing by 20.1 percent year-on-year to 27.5 percent of GDP, followed by a further increase of 29.8 percent in 2024, equivalent to 26.6 percent of GDP. In 2025, current expenditure rose by 9.1 percent year-on-year, reaching 26.9 percent of GDP, mainly reflecting wage increases for public sector employees in line with inflation and the revision of pension indexation coefficients.

Regarding capital expenditure, after a pandemic-related slowdown, it declined by 1.7% in 2021 compared to the previous year, reaching 6.8% of GDP. However, it rebounded strongly thereafter, growing by 27.5% in 2022 (7.1% of GDP), 36.4% in 2023 (7.4% of GDP), and 53.6% in 2024 (9.9% of GDP). Nevertheless, under the 2025 budget amendment, capital expenditure was reduced by 458.7 billion MNT, and according to preliminary execution, it decreased to 7.9% of GDP.

Most of the current budget expenditure consists of legally mandated and steadily increasing costs such as public sector salaries, pensions, social benefits, child allowances, and interest payments on loans.

In the post-pandemic period, expenditures on social welfare and benefits increased due to the implementation of programs aimed at protecting public health and revitalizing the economy. As a result, current transfer expenditure rose by 46.1% in 2021 and 33.4% in 2022 year-on-year.

Additionally, a decision was made to continue providing a monthly child allowance of MNT 100,000 starting from 2022, which began to be financed under government internal transfers. This led to a 5.2-fold increase in such expenditures.

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<sup>7</sup> According to the IMF's Government Finance Statistics for 2006–2023, the average ratio of budget revenue to GDP across 151 countries ranges from 28.3% to 30.3%, the ratio of budget

expenditure to GDP ranges from 28.9% to 34.8%, and the budget balance as a share of GDP ranges from 0% to 4.4%. <https://www.imf.org/external/datamapper/datasets/FPP>

Subsequent policy adjustments further accelerated current spending. Following a revision of the base salary coefficients and the indexation of social welfare benefits to inflation in 2023, personnel expenses expanded 1.4-fold in 2023, 2.3-fold in 2024, and 1.2-fold in 2025. Similarly, expenditure on pensions and welfare benefits grew 1.2-fold in 2023, 1.3-fold in 2024, and 1.2-fold in 2025, serving as the primary drivers of current expenditure growth.

Additionally, Government Resolution No. 82 of 2024 introduced a rural allowance, providing a 40% salary supplement for civil servants working in rural soums and villages, and a 20% supplement for

those in aimag centers and remote capital city districts. This targeted regional policy was a major factor behind the sharp escalation of the wage bill in 2024.

While the structural budget balance recorded a surplus of MNT 785.9 billion (1.1% of GDP) in 2023, it registered deficits across all other years of the period. Specifically, fiscal deficits reached MNT 2.9 trillion (6.7% of GDP) in 2021, MNT 1.0 trillion (1.9% of GDP) in 2022, MNT 920.2 billion (1.1% of GDP) in 2024, and MNT 1,231.5 billion (1.4% of GDP) in 2025.

Figure 6.5. Total revenue (share of GDP)

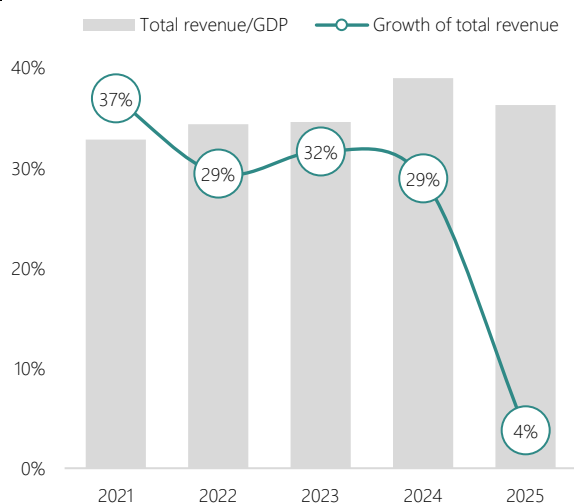
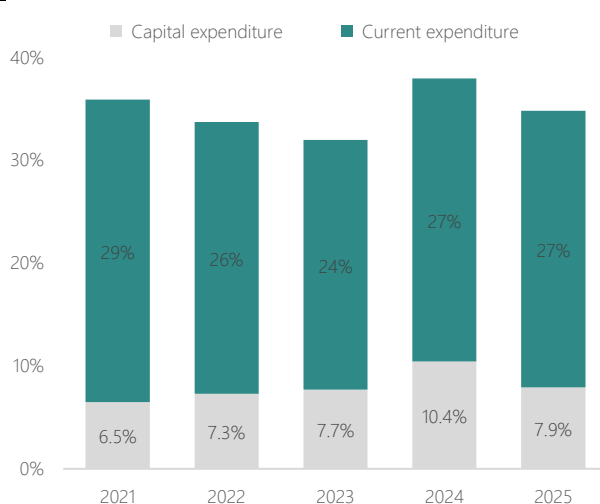


Figure 6.6. Total expenditure (share of GDP)



Source: MOF

## 6.5. Foreign Trade

Due to the pandemic and geopolitical developments, global commodity supply was constrained and disrupted in 2021–2022. As a result, coal prices doubled, copper concentrate prices increased by 77 percent, and the prices of iron ore and crude oil each rose by around 70 percent worldwide. Driven by these developments, Mongolia's total export revenue grew by 22–35 percent.

At the same time, imports increased sharply in 2021–2022. Imports rose by 29 percent in 2021 and by 27 percent in 2022, mainly due to changes in import prices. The closure of the Chinese border and the Russia–Ukraine war slowed the supply of goods and increased transportation costs, which became the main drivers of higher import prices. Consequently, the prices of diesel fuel, flour, and food products increased significantly, contributing substantially to the rise in the overall import price level.

Mongolia's foreign trade gradually recovered during 2022–2024, supported by improvements in export structure, transport and logistics management, and border port capacity, which sustained stable growth. During this period, Mongolia traded with around 160 countries on average, while total foreign trade turnover doubled compared to 2020 and reached USD 27.4 billion in 2024, the highest level in the past five years.

Although commodity prices began to decline from 2023 onward, the recovery of the global economy and government policy measures — including improving mineral export and transport management, imposing special administrative measures on state-owned enterprises, launching mining commodity exchange operations, and expanding border port capacity — resulted in coal exports doubling and total export revenue increasing by around 17 percent.

In 2024, improvements in transport management at major border crossings and extended operating hours contributed to coal exports reaching 83.8 million tons. However, a 19 percent decline in border coal prices slowed the growth of export revenues. In addition, severe winter and spring conditions reduced the volume of agricultural exports. Compared to the same period of the previous year, meat exports declined by 14 percent, cashmere exports by 11 percent, and leather and hide exports by 5 percent.

As economic activity increased and household purchasing power improved, demand for goods and products rose, further stimulating imports. In 2024, imports increased by USD 2.4 billion compared to the previous year, of which around 60 percent consisted of goods and products supporting economic activity and industrial production.

As of 2025, Mongolia's total foreign trade turnover reached USD 27.2 billion, recording a trade surplus of USD 4.4 billion. Exports amounted to USD 15.8 billion, remaining at roughly the same level as the previous year. Coal exports reached 90 million tons, increasing by 7 percent year-on-year, while copper concentrate exports reached 1.647 million tons, up by 39 percent compared to the previous year.

Imports totaled USD 11.3 billion in 2025, decreasing by USD 303 million, or 2.6 percent, from the previous year. By product category, investment machinery and equipment accounted for 1.8 percentage points of the total decline in imports, consumer products accounted for 0.6 percentage points, and industrial inputs accounted for 0.1 percentage points.

Due to the high base effect created by strong imports of mining equipment and transport vehicles in 2024, imports of intermediate and investment products used in the mining sector

slowed in 2025. However, as the physical volume of mining exports increased, diesel fuel imports rose by around 3 percent year-on-year, reaching USD

vehicle imports declined by around 6 percent compared to the previous year. Correspondingly, gasoline imports fell by 6 percent, reaching USD

Figure 6.7. Total exports (million USD)

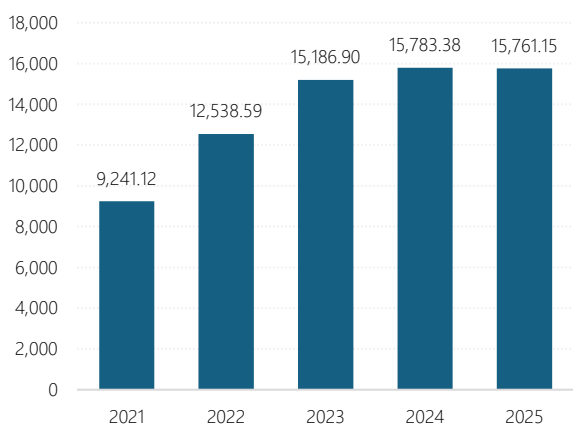


Figure 6.8. Total imports (million USD)

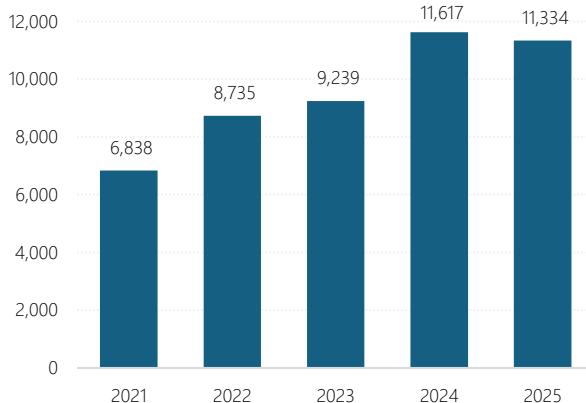


Figure 6.9. Export structure (percentage)

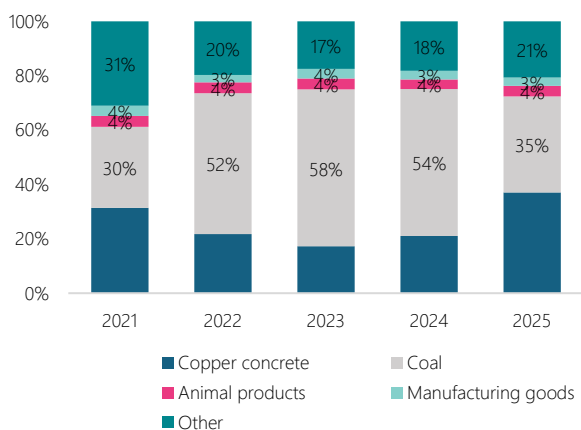
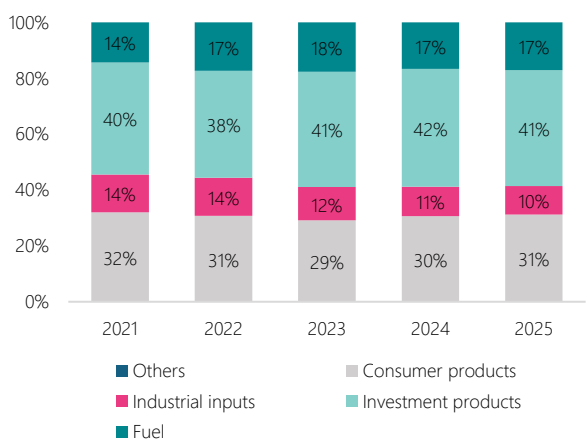


Figure 6.10. Import structure (percentage)



Source: MCGA

1.337 billion.

The decline in imports of passenger vehicles and related spare parts also reduced imports of consumer goods. Following the decision not to issue vehicle registration plates in the capital city for passenger cars older than 10 years, passenger

602 million. Meanwhile, imports of essential household goods such as food and medicines remained relatively stable.

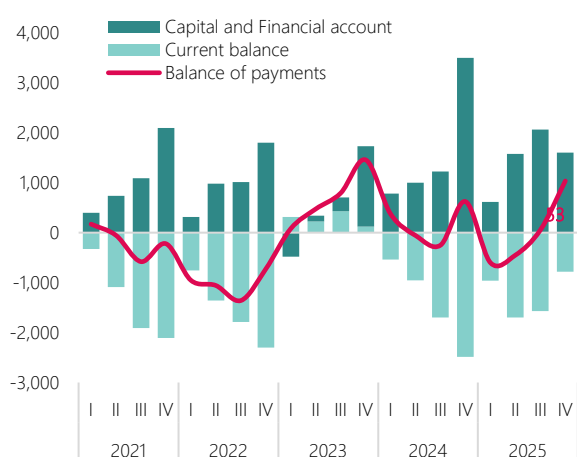
## 6.6. Balance of payments

### 2021–2024

During 2021–2024, the global economy was affected by the COVID-19 pandemic and geopolitical tensions, which intensified global inflationary pressures and increased Mongolia’s import costs.

In 2023, the Government implemented a comprehensive set of measures aimed at increasing exports and strengthening foreign exchange reserves, resulting in record-high export earnings. These measures included improving the organization of mineral transportation and export

Figure 6.11. Balance of Payment (million USD)

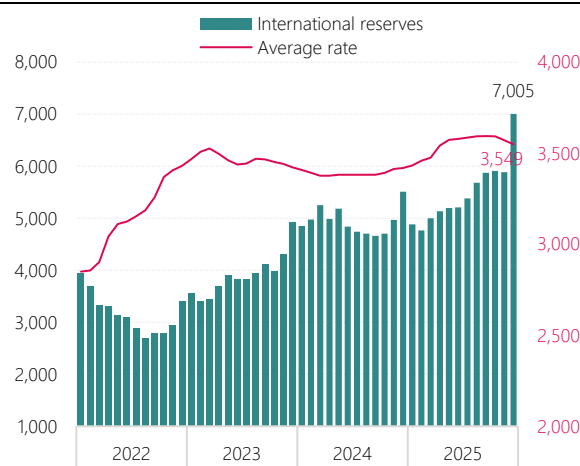


Source: Bank of Mongolia

Mongolia’s balance of payments deficit narrowed to USD 222 million in 2021, mainly due to a strong surplus in the financial account. Key developments included the Government’s repayment of the remaining principal of the Mazalai bond and the issuance of a USD 250 million bond by the Mongolian Mortgage Corporation (MIK), alongside the repayment of USD 197 million in principle on its previous bond.

In 2022, strong export revenue growth contributed to a reduction in the current account deficit. However, increased outward financial flows from banks and the private sector led to a widening balance of payments deficit. At the same time, major economies continued to raise policy interest rates, increasing Mongolia’s cost of accessing international capital markets and reducing the inflow of new foreign investment.

Figure 6.12. International reserves and Exchange rate (million USD)



Source: Bank of Mongolia

activities, imposing special administrative regimes on state-owned enterprises, and launching the mining products exchange. In addition, container transport terminals were established at the Gashuunsukhait and Shiveekhuren border crossings, and automated transport systems were introduced, significantly improving the efficiency of export logistics. As a result, the trade balance recorded a surplus of USD 5.9 billion in 2023. Consequently, the current account registered a surplus for the first time since 2007, while official foreign exchange reserves reached a historic high.

Economic activity strengthened further in 2024. Increased imports of investment goods and consumer products contributed to a current account deficit of USD 2.2 billion. Nevertheless, higher inflows from newly issued sovereign bonds in international markets boosted the financial account surplus by USD 3.2 billion, resulting in an

overall balance of payments surplus of USD 0.6 billion.

## 7. Macroeconomic Conditions (2006–2020)

### 7.1. Economic growth

Summary of economic situation and growth in Mongolia during 2006–2020<sup>8</sup>

#### 2006–2010

The average economic growth during 2006–2010 was 6.6 percent, remaining around the average level of the previous five-year period. Nominal GDP reached MNT 9.8 trillion in 2010, expanding 2.4 times compared to 2006, while per capita income doubled to USD 2.7 thousand. During 2006–2008, economic activity in Mongolia was mainly supported by favorable weather conditions, rising global commodity prices, the revision of the Minerals Law (2006), and the “Atar-III” campaign. In contrast, the economy contracted by 1.3 percent in 2009 due to the global financial crisis, which led to a decline in foreign investment and falling global commodity prices. As a result, export revenues decreased, fiscal revenues fell, budget expenditures contracted, and overall economic activity weakened. With the slowdown in domestic economic activity, business sales declined, the exchange rate depreciated, and credit risks increased, resulting in a rise in non-performing loans. In addition, foreign institutions withdrew loans provided to Mongolia’s banking, financial institutions, and companies, and postponed planned investments. Consequently, Anod Bank JSC and Zoos Bank JSC became insolvent and were liquidated. In order to stabilize the economy, Mongolia participated in the IMF Stand-By Program, which positively influenced investor confidence. Starting from the second quarter of 2009, global gold and copper prices increased rapidly, leading to a rise in investment inflows into the mining sector. Furthermore, the Oyu Tolgoi Investment Agreement was signed on October 6, 2009, and initial investment in the

project began in 2010, contributing to economic recovery. As a result, the economy grew by 6.4 percent in 2010, successfully overcoming the crisis.

The share of the mining sector in GDP averaged 22.4 percent during 2006–2010, expanding by 8.8 percentage points compared to the previous five-year average, driven by the intensification of coal production. Coal production increased from 8.1 million tons in 2006 to 25.2 million tons in 2010, representing a 3.1-fold increase. This was significantly influenced by the establishment of “Erdenes Tavantolgoi” state-owned joint-stock company under State Great Khural Resolution No. 39 (2010) and Government Resolution No. 272, aimed at developing the strategically important Tavantolgoi coal deposit. In addition, the revised Minerals Law further supported the expansion of coal mining. As a result, the mining sector began shifting from gold extraction toward coal production. Although global gold and copper prices remained high, gold production showed a declining trend, decreasing from 22.6 tons in 2006 to 6.0 tons in 2010, or by 3.8 times.

The agricultural sector, which is the second largest contributor to GDP after mining, showed increasing activity during 2006–2008 due to favorable weather conditions and the implementation of the “Atar-III” campaign. Under Government Resolution No. 70 of 2008, grain cultivation area increased significantly, reaching 154 thousand hectares in 2008 (1.3 times), 252 thousand hectares in 2009 (1.6 times), and 259 thousand hectares in 2010 (1.0 times) compared to the previous year. Additionally, favorable climatic conditions supported livestock growth, with the number of surviving offspring exceeding 10 million annually during 2006–2009, increasing total

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<sup>8</sup> 2006–2010, 2011–2015, 2016–2020

livestock to 44 million head in 2009, or 1.3 times compared to 2006. However, the severe dzud of 2009–2010 caused a sharp contraction in the sector. Abnormal livestock losses reached 10.3 million head, reducing total livestock to 32 million head in 2010, equivalent to the levels of 2005–2006. Consequently, agricultural output declined by 16.6 percent in 2010.

2004, while pensions and social welfare benefits rose by 2.8 times. Wage growth supported household real income, leading to increases of 11.0 percent in 2006 and 17.4 percent in 2007. As household real income improved, household consumption—which had acted as a drag on economic growth during 2005–2006—expanded by 21.9 percent in 2007 and 14.7 percent in 2008,

Figure 7.1. Average GDP growth by sector (percent)

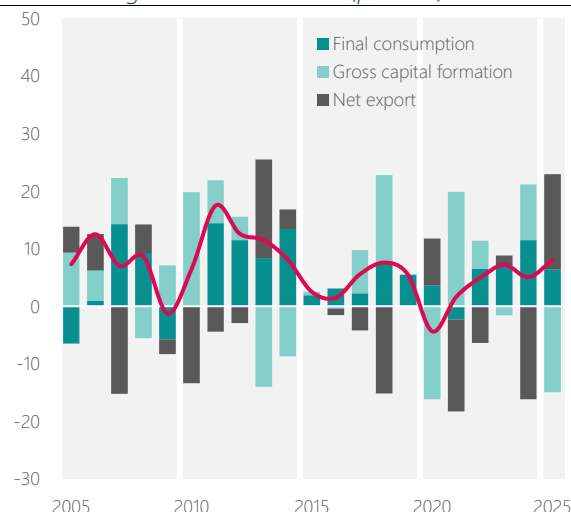
Sector	2006-2010	2011-2015	2016-2020	2021-2025
GDP	6.6	10.3	3.2	5.2
Agriculture	2.5	12.9	4.5	0.4
Mining	2.8	13.6	(2.3)	6.1
Manufacturing	7.9	6.8	7.2	3.2
Electricity	4.8	5.6	5.6	6.9
Construction	(4.0)	22.3	3.4	3.7
Trade	12.5	12.3	1.3	6.0
Transportation	14.1	8.3	1.7	12.5
Information and communication	13.6	7.8	5.2	13.8
Others	65.0	27.2	25.8	6.1
Net taxes	14.7	10.2	9.3	9.1

Source: National Statistical Office

To restore and stabilize the economy following the downturn, Mongolia implemented fiscal and financial reforms under the IMF Stand-By Program. In this context, the Fiscal Stability Law was adopted in June 2010, establishing a framework for improving fiscal discipline, defining principles of budget management and special requirements, clarifying the roles and responsibilities of public institutions, and regulating the use of mineral revenues for wealth creation, investment, and financial savings accumulation to support economic development.

From the demand-side perspective, the sustained high level of global copper prices between mid-2006 and the first half of 2008 increased export revenues, which in turn expanded fiscal revenues and enabled the government to implement policies aimed at raising wages and pensions. Specifically, by 2008, the average salary of public sector employees had increased by 3.1 times compared to

Figure 7.2. GDP growth contribution (percent)



Source: National Statistical Office

becoming a major contributor to overall economic growth. In line with the increase in consolidated budget revenues, government sector consumption recorded an average nominal annual growth of 41.5 percent between 2006 and 2008. However, during the global financial and economic crisis that began in 2008, the depreciation of the Mongolian tögrög led to rising prices of key imported goods and commodities, resulting in higher inflation. The increase in inflation reduced households' purchasing power, causing real income to decline by 0.6 percent in 2008. As household income deteriorated, household consumption contracted by 7 percent in 2009. Furthermore, weakening external demand caused net exports to decline by 35.6 percent in 2009, while government consumption contracted by 11.5 percent. Consequently, domestic demand exerted a negative impact on economic growth, reducing it by 5.8 percentage points.

## 2011–2015

Average economic growth during 2011–2015 reached 10.3 percent, marking the highest five-year average growth period. Nominal GDP reached MNT 22.9 trillion in 2015, expanding 2.4 times compared to 2010, while per capita GDP increased to USD 3.9 thousand, rising by 1.4 times.

Favorable weather conditions supported stable growth in the agricultural sector, while high global commodity prices and increased inflows of foreign direct investment (FDI) into the mining sector—alongside investment in the Oyu Tolgoi project—mainly drove economic activity during 2011–2012. In addition, export revenues from coal shipments to China increased sharply starting from 2011, and the implementation of the “Medium-term Program for Stabilizing Prices of Key Commodities,” together with infrastructure investments financed by major bond issuances, had a positive impact on economic growth.

Increased capital inflows driven by FDI concentrated in the mining sector supported economic expansion. The mining sector recorded an average annual growth of 13.6 percent during 2011–2015, contributing on average 2.8 percentage points to overall economic growth. Growth in the mining sector was primarily supported by increases in the physical output of coal, iron ore, copper concentrate, and crude oil. For instance, average annual coal production increased from 13.4 million tons during 2006–2010 to 28.3 million tons during 2011–2015, representing a 2.1-fold increase. Moreover, following the commencement of operations at Oyu Tolgoi LLC in 2012, copper concentrate production rose from an average of 532 thousand tons (2006–2010) to 850 thousand tons (2011–2015), an increase of 1.6 times.

However, beginning in late 2012—marking the end of the commodity supercycle—FDI inflows declined and fiscal revenues decreased, leading to a slowdown in economic growth from 17.3 percent in

2011 to 2.4 percent in 2015. During this period, the suspension of mineral license issuance was extended twice for an indefinite duration and remained in effect until amendments to the Minerals Law in July 2014. This restriction limited the initiation of new exploration activities and was one of the factors contributing to the decline in foreign investment.

Non-mining sectors recorded an average annual growth of 9.4 percent during 2011–2015, contributing 7.5 percentage points to overall economic growth. The expansion of mining activities stimulated growth in trade, services, transportation, and particularly the construction sector during this period. For example, increased export volumes of major commodities led to a sharp rise in public investment aimed at expanding transportation capacity, resulting in significant road and bridge construction.

To finance infrastructure, industrial, energy, transport, and agricultural projects, Mongolia issued several international bonds during 2012–2014, including the Chinggis bond (USD 1.5 billion), Eurobond (USD 500 million), Samurai bond (USD 600 million), and Dim Sum bond (approximately USD 161 million). These funds were used to finance major projects and programs such as the “New Railway” project, the “New Construction” medium-term target program, the State Policy on Railway Transport, the Sainshand Industrial Complex, roads constructed under build-now-pay-later schemes, and energy infrastructure projects.

In the transport and trade sectors, increased imports of heavy mining machinery and equipment led to higher fuel consumption for vehicles and machinery. Together with measures implemented under the price stabilization program, these developments contributed to the expansion of sectoral activity and supported economic growth.

Meanwhile, the Bank of Mongolia financed quasi-fiscal activities<sup>9</sup> during 2012–2016, including increasing official foreign exchange reserves through external borrowing. This led to an accumulation of central bank losses, reaching up to MNT 3 trillion. Specifically, beginning in 2013, under the “Medium-term Program for Stabilizing Prices of Key Commodities” implemented by the Government and the central bank:

- A subprogram titled “Supporting the construction sector and stabilizing housing prices” was approved. Within the framework of this subprogram, the Bank of Mongolia provided short-term financing at an annual interest rate of 4 percent to participating commercial banks for the purpose of issuing mortgage loans.
- In addition, under the subprogram aimed at stabilizing retail fuel prices, loans totaling MNT 195 billion were extended to fuel importers at an annual interest rate of 3.8 percent.
- Under the subprogram to reduce the cost of widely consumed imported goods, financing MNT 22 billion with a three-year maturity at an annual interest rate of 3.8 percent was provided to increase the working capital of Ulaanbaatar Railway.
- To build meat reserves and stabilize prices, financing of MNT 87 billion was provided, while an additional MNT 61 billion was allocated to stabilize flour prices.
- Furthermore, to support housing price stabilization, approximately MNT 400 billion in financing was extended to the construction sector. Specifically, loans amounting to MNT 48.5 billion were provided to 43 cement enterprises, MNT 81 billion to 17 rebar producers, and MNT

146.7 billion to 64 construction material manufacturers.

At the same time, favorable weather conditions supported steady growth in the agricultural sector, with livestock numbers increasing to 50 million head, contributing to sectoral expansion. However, Government Resolution No. 300 of 2013, titled “Technical Regulation on Hides and Skins Production and Trade,” required all hides and skins exported from Mongolia to undergo processing within the country. As a result, export revenues from unprocessed hides and skins declined from USD 4 million in 2013 to USD 1.8 million in 2015, representing a 2.2-fold decrease. Consequently, herders’ incomes declined, and the prices of hides and skins fell sharply.

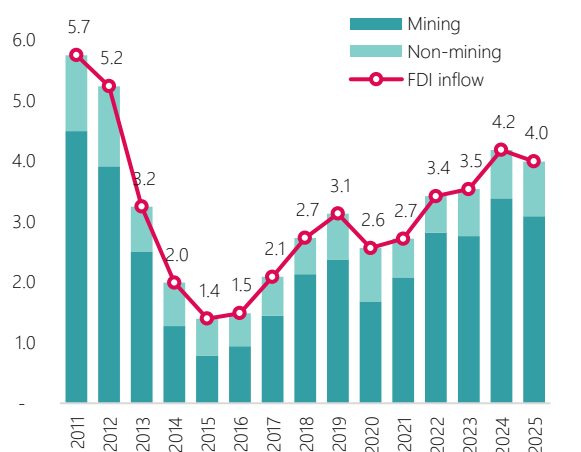
On the demand side, expansionary fiscal policy continued during 2011–2012, accompanied by increases in wages, pensions, and social welfare benefits. Nominal average wages rose by 13.6–31.4 percent, while government consumption increased by 12.5–33.3 percent, expanding domestic demand and contributing to inflation remaining elevated at 15–20 percent. Despite high inflation, rising wages, pensions, and benefits supported household real income, which increased by 17.7 percent in 2011 and 25.5 percent in 2012, thereby supporting economic activity. Household consumption grew rapidly by 20.2 percent in 2011 and 18.4 percent in 2012, contributing to strong economic growth. As a result, GDP growth reached 17.5 percent in 2011, its historical peak, before moderating to 12.5 percent in 2012 and 11.6 percent in 2013, reflecting an overheating economy.

Investment contributed 19.9 percentage points to economic growth in 2010, 7.5 percentage points in 2011, and 4.1 percentage points in 2012. Gross fixed capital formation was supported by rising imports of machinery and equipment and increased residential construction driven by mortgage

lending. However, despite growth in export volumes, falling global commodity prices reduced net exports, lowering overall growth by 13.3 percentage points in 2010, 4.4 percentage points in 2011, and 2.9 percentage points in 2012.

From 2014, foreign direct investment largely stalled, and real GDP growth began to slow due to adverse external conditions. At the same time, persistently

Figure 7.3. FDI inflow (Billion, USD)



Source: National Statistical Office

high inflation reduced household real income by 0.3 percent in 2014, constraining consumption growth. In addition, the rapid expansion of subsidized mortgage lending from 2013 led households to allocate more income to debt repayments, reducing household consumption and weakening domestic demand.

### 2016-2020

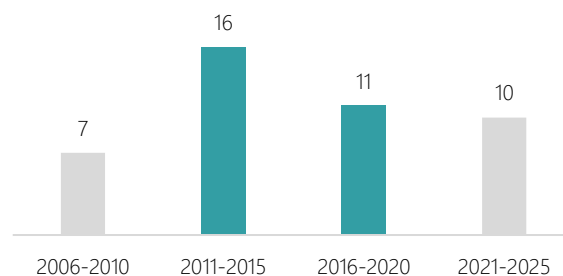
Average economic growth in Mongolia during 2016–2020 slowed to 3.2 percent, indicating a moderation in economic activity. Nominal GDP reached MNT 37.5 trillion in 2020, expanding 1.6 times compared to 2015, while per capita GDP increased to USD 4.1 thousand, rising by 1.0 times.

Within the framework of the IMF Extended Fund Facility program, a comprehensive macroeconomic policy framework was defined and implemented during 2017–2020 to stabilize the economy in the short term and establish a foundation for sustainable growth. As a result, the macroeconomic

environment became relatively stable, investor confidence—both domestic and foreign—recovered, and economic growth was supported. Although production in the mining sector declined due to lower metal content in Oyu Tolgoi copper concentrate, relative stability in the exchange rate and expansion in non-mining sector production contributed to supporting overall economic growth.

The mining sector recorded an average annual growth of -2.3 percent during 2016–2020, reducing overall economic growth by an average of 0.4 percentage points per year. This was primarily driven by declining metal content in Oyu Tolgoi copper concentrate and increased uncertainty in the investment environment due to multiple amendments to the Minerals Law, which led to a reduction in foreign direct investment inflows.

Figure 7.4. Amendments to the Law on Minerals (quantity)



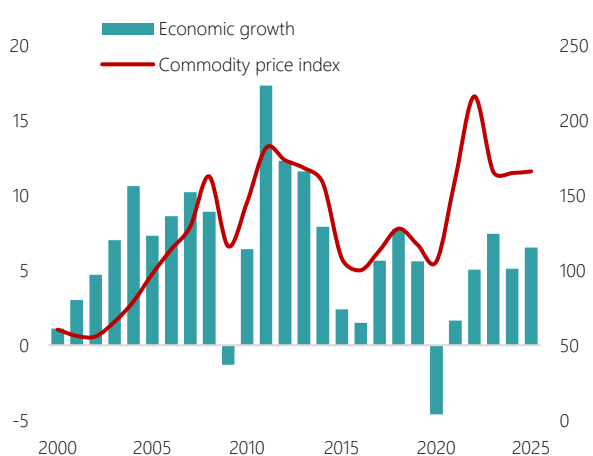
Source: Legal info

The non-mining sector recorded an average annual growth of 4.3 percent, contributing 3.6 percentage points to overall economic growth. For example, favorable weather conditions helped maintain stable agricultural production. Growth in export transportation, rising imports, and the revival of transit transportation agreements supported the expansion of the transportation sector. In the manufacturing sector, the commissioning of Moncement LLC and MAK Euro Cement LLC—each with annual production capacity of 1 million tons—boosted the production of non-metallic mineral

products, thereby supporting growth in manufacturing output.

On the demand side, declining fiscal revenues—down by 4.7 percent in 2015 and 2.4 percent in 2016—slowed government consumption growth to 2.3 percent in 2015. Weak domestic economic activity limited household consumption growth to only 1–2 percent, while GDP growth slowed to 2.5 percent in 2015 and 1.5 percent in 2016.

Figure 7.5. Commodity price index and economic growth



Source: National Statistical Office

From 2016, rising commodity prices, particularly coal, boosted exports. In addition, Mongolia entered the International Monetary Fund’s Extended Fund Facility program in 2017, implementing fiscal consolidation and expenditure restraint measures that helped stabilize domestic economic conditions.

Gross capital formation increased by 31.6 percent in 2017 and 52.1 percent in 2018, supporting the economic recovery. Strong commodity prices and export demand contributed to 5.4 percent growth in the mining sector in 2018, while improved performance in manufacturing and construction in 2018–2019 stimulated purchases of machinery, equipment, construction materials, and petroleum products.

In addition, wages for public sector employees—which had remained unchanged since 2012—were raised by 8 percent in both the fourth quarter of 2018 and January 2019. As a result, real wages of public employees increased by 10 percent in 2019, while household consumption grew by 9.6 percent in 2018 and 7.0 percent in 2019. At the same time, the trade sector expanded by 10.9 percent in 2019. However, rising consumption and investment also increased imports of goods and services by 32.7 percent in 2018, dampening overall growth.

In 2020, the COVID-19 pandemic increased both external and domestic uncertainty. Pandemic-related restrictions, adverse external conditions, lower commodity prices, and border closures caused the economy to contract by 4.6 percent. Repeated lockdowns sharply reduced activity in manufacturing, services, and trade, leading to weaker consumption.

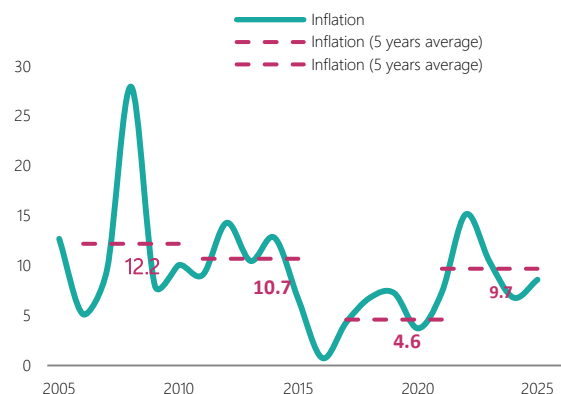
## 7.2. Inflation

### 2006-2010

Over 2006 to 2010, inflation averaged 12.2 percent nationwide, which was 5.5 percentage points higher than the average of the previous five years. During this period, factors such as rising fuel prices, seasonal shortages of food products, increases in wages and welfare benefits, and the depreciation of the domestic currency were the main contributors to inflation. In 2006, sharp fluctuations in meat prices, artificial price speculation, and rising fuel prices were the main contributors to inflation. In 2007, supply-side factors, including rising prices of key commodities on the global market, including wheat, oil, flour, and rice, as well as rising inflation in trading-partner countries, contributed to higher inflation. At the same time, on the demand side, inflation was stoked by the growth of civil servants' wages and welfare spending and by the depreciation of the domestic currency, rising to 15.1 percent. From 2007, the Bank of Mongolia began using the policy rate to implement monetary policy, introducing an inflation target and marking the start of target-oriented policy adjustments. In 2008, owing to factors such as fuel prices fluctuating throughout the year—with the average price rising 45.1 percent compared with the previous year—and wages increasing by more than 30 percent, inflation rose to 22.1 percent. In 2009, however, as economic activity slowed under the impact of the global financial crisis, household consumption contracted, and the domestic currency exchange rate against foreign currencies strengthened, inflation eased to 4.2 percent, with no inflation in some months. In 2010, Mongolia implemented a "Stand-By" arrangement in cooperation with the International Monetary Fund, and inflation eased as the monetary policy stance tightened. Nevertheless, owing to the white dzud during the winter of 2009–2010, 9.7 million livestock perished, sharply reducing meat supply and causing meat prices to rise more sharply than their seasonal trend, so

inflation accelerated again. In particular, of the 13 percent inflation at the end of 2010, meat alone accounted for 5.9 percentage points.

Figure 7.6. Inflation (percentage)



Source: National Statistics Office

### 2011-2015

Over 2011–2015, inflation in Mongolia averaged 10.7 percent and, owing to external market and domestic factors, was above target and highly volatile during most periods. In 2011, demand-side inflation was stoked by cash benefits from the Human Development Fund, high budget expenditure, and active mining investment, while meat prices rose due to foot-and-mouth disease and seasonal trends, keeping inflation in double digits. In 2012, inflation rose to 17.8 percent owing to fluctuations in meat and vegetable prices and price increases in the alcohol and tobacco group, before easing gradually in the second half of the year. In 2012, the Bank of Mongolia and the Government concluded a "Memorandum of Understanding on Jointly Implementing a Medium-Term Program to Stabilize the Prices of Key Commodities," marking the start of the price stabilization program. Within the framework of this memorandum, a sub-program to stabilize retail fuel prices—the "SIFS program" was also adopted and implemented. In 2013, as domestic currency depreciated and foreign currency inflows declined, import inflation rose, and inflation exceeded the

central bank's target. Subsequently, as the Bank of Mongolia carried out monetary policy adjustments in phases and, together with the Government, began implementing the "Program to Stabilize the Prices of Key Commodities," food inflation began to stabilize. This program aims to ensure a stable supply of key products such as meat, flour, fuel, and construction materials, to reduce seasonal price fluctuations, and to ease supply-side inflationary pressures. In 2014, inflation remained in double digits as the prices of some government-regulated services rose alongside the expansion of budget expenditure and the depreciation of the exchange rate. At the end of 2014, the central bank raised the policy rate to 13 percent, adopting a tight monetary policy. In 2015, the policy rate remained high, the domestic currency exchange rate was stable, meat prices fell by 36 percent, and as supply-side pressures eased, inflation declined to 1.9 percent and remained at a low level.

#### **2016-2020**

Over 2016–2020, inflation averaged 4.6 percent, 6.1 percentage points lower than the average of the previous five years. During these five years, the inflation outlook changed markedly, and inflation was highly volatile owing to domestic economic activity, fiscal policy, supply factors, and external environment factors. In 2016, as the economy contracted and household income declined while food and meat prices remained stable, inflation held at around 1 percent, with the prices of some consumer goods and services declining—that is, deflation-in some months.

In 2017, however, with the start of the International Monetary Fund's "Extended Fund Facility" program, changes were made to fiscal discipline and taxes. In addition, alongside increased domestic economic activity, the volume of crops harvested nationwide declined, and automobile taxes were raised, which pushed up car prices and added to inflation. Although inflation accelerated from the previous year, it remained within the central bank's target. Furthermore, in 2018, demand-side inflation accelerated owing to the economic recovery, while supply-side inflation also rose. In particular, the prices of solid fuel, meat, and gasoline rose sharply, accounting for the bulk of inflation. In the first half of 2019, inflation rose owing to strong domestic demand and budget expenditure, but in the second half, economic activity slowed and price growth eased. In that year, inflation rose as meat prices increased sharply alongside higher prices for government-regulated services such as electricity, heating, water, and tuition fees. In addition, from May 2019, as the government substituted raw coal with improved fuel and regulated supply and prices, the price of solid fuel had a dampening effect on inflation.

Finally, in 2020, lockdowns were imposed in connection with the global pandemic, and domestic economic demand contracted. At the same time, fuel prices fell by MNT 400–500 and improved briquette fuel was discounted by 75 percent, keeping inflation at a low level and bringing it to 2.3 percent at year-end. During this period, the central bank cut the policy rate by a total of 5 percentage points, easing the monetary policy stance.

### 7.3. Labor

#### 2006–2010

The working-age population increased steadily from 1.6 million in 2006 to 1.86 million in 2010. However, the impact of the global economic crisis led to considerable fluctuations in labor market indicators toward the end of the period. The unemployment rate, which had remained at around 3 percent during 2006–2008, increased sharply to 11.6 percent in 2009 before declining slightly to 9.9 percent in 2010. Similarly, the labor force participation rate decreased from 63.5–64.4 percent during 2006–2008 to 61.4 percent in 2009 and 61.6 percent in 2010. The employment rate followed a similar trend, declining from 61.7–62.4 percent during 2006–2008 to 54.3 percent in 2009 and 55.4 percent in 2010.

the economy, urbanization, and rising demand for services. Employment in the mining sector increased during 2006–2008, reaching 46 thousand workers. However, due to the impact of the global financial crisis, employment declined sharply to 34.1 thousand in 2010. Similarly, employment in the construction sector reached 169 thousand in 2008 before falling to 146.2 thousand in 2010. Meanwhile, employment in sectors such as education, health, electricity, water supply, and transportation recorded relatively stable growth throughout the period.

During 2006–2010, Mongolia implemented a wide range of social welfare measures that contributed to short-term increases in household income. Programs such as the “Motherland’s Wealth” cash

Figure 7.7. Change in the number of employed persons, by sector (thousand persons)

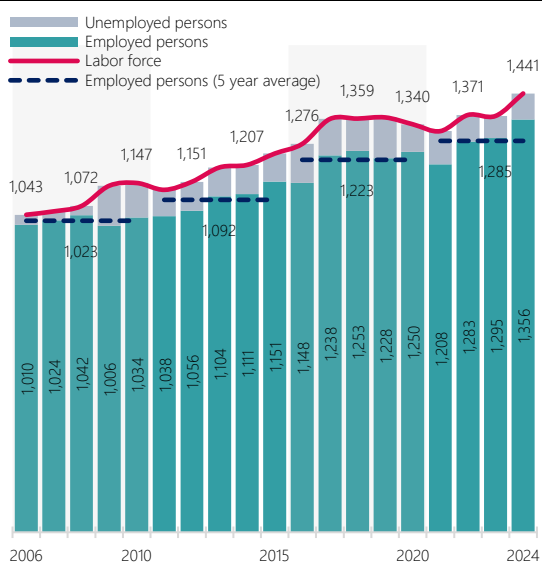
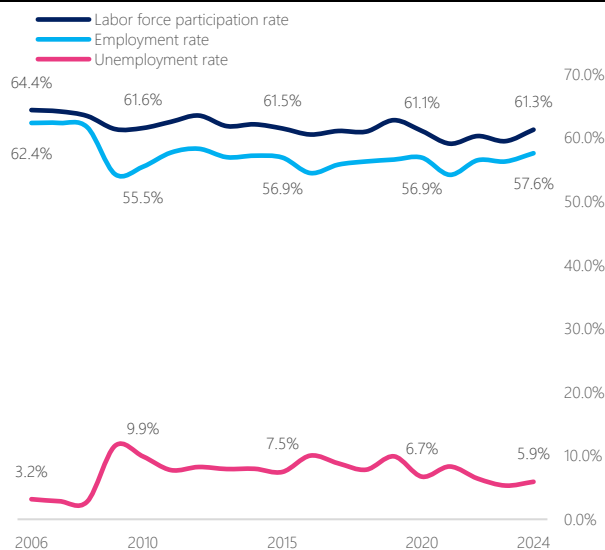


Figure 7.8. Employed persons (thousand persons), Labor force participation rate (percentage)



Source: National Statistical Office

By sector, the number of employees in agriculture declined from 391.4 thousand in 2006 to 346.6 thousand in 2010, representing a decrease of 45 thousand workers. In contrast, employment in the service sector increased steadily from 218 thousand to 296.6 thousand during the same period. This growth was largely driven by structural changes in

distribution scheme, advance payments related to the Tavan Tolgoi share allocation, child allowances, student scholarships, one-time support for newly married couples, and benefits for elderly citizens were implemented on a large scale. While these cash transfers supported household consumption,

they also created risks of reducing labor market participation and work incentives.

To mitigate these risks, the Government implemented the National Employment Promotion Program and the Job Creation Project. As a result, more than 160 thousand citizens were placed in employment between 2007 and 2010. In addition, policies aimed at gradually increasing the minimum wage and raising public sector salaries were introduced. To reduce labor costs for employers, the social insurance contribution rate was lowered from 19 percent to 10 percent, thereby supporting employment growth.

### **2011-2015**

During 2011–2015, Mongolia’s economy experienced a slowdown as a result of fluctuations in foreign direct investment, volatility in mining commodity prices, and expansionary fiscal policies. These developments had a direct impact on the labor market, contributing to weaker employment growth and persistently elevated unemployment levels. Although the economy expanded by 17.3 percent in 2011 and foreign investment increased sharply, this growth did not generate sufficient sustainable and long-term employment opportunities. The working-age population increased from 1.8 million in 2011 to 2.0 million in 2015, representing an increase of 200 thousand persons. However, the number of employees increased from 1.03 million to 1.15 million, a rise of only 120 thousand persons. As a result, the employment rate declined from 57.7 percent in 2011 to 56.9 percent in 2015. Meanwhile, the unemployment rate declined and remained within the range of 7–8 percent during the period, although it did not return to pre-crisis levels. This was partly attributable to limited job creation outside the mining sector and the fact that newly created jobs in the service sector were largely seasonal in nature and characterized by a high degree of informal employment.

During this period, several employment promotion programs were implemented, including initiatives supporting youth employment, herder employment, employment opportunities for persons with disabilities, and advisory services provided by senior professionals. On average, approximately 63 thousand individuals participated in these programs annually.

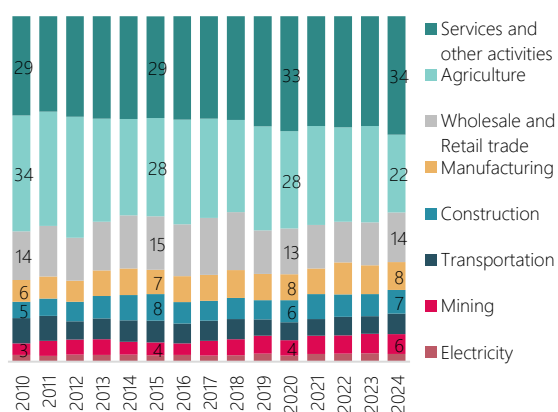
Employment in agriculture declined from 343 thousand persons in 2011 to 327 thousand in 2015, representing a decrease of 16 thousand workers. This decline may have been influenced by factors such as low sectoral productivity, higher wage growth in other industries, internal migration, urbanization, and differences in the quality and accessibility of health and education services between rural and urban areas. In contrast, employment in the service sector increased from 444 thousand persons in 2011 to 523 thousand in 2015, making it the largest employment-generating sector. However, much of this growth was concentrated in temporary and seasonal jobs, limiting its contribution to stable employment creation. Specifically, informal employment outside the agricultural sector increased from 135 thousand persons in 2011 to 205 thousand in 2015, representing growth of 52 percent.

Employment in the mining sector remained highly sensitive to external shocks. The number of workers employed in mining increased from 45 thousand in 2011 to 50 thousand in 2013 but declined to 43 thousand in 2015 following the downturn in global commodity prices.

### **2016-2020**

During 2016–2020, labor market indicators, including the working-age population, labor force participation rate, and employment rate, generally followed an upward trend. While employment remained relatively stable, the unemployment rate experienced short-term fluctuations due to economic cycles and the impact of the COVID-19

Figure 7.9. Employment by sector (Share of total employment, percentage)



Source: National Statistical Office

pandemic. It should be noted that changes to the sampling methodology of the National Statistics Office’s Labor Force Survey limit the direct comparability of labor market indicators after 2019 with those of previous years.

By sector, employment in services recorded steady growth throughout the period. The service sector accounted for 29.9 percent of total employment in 2016 and increased its share to 33 percent by 2020, becoming the largest employer in the economy. On the other hand, employment in the agricultural sector declined. In addition to economic and social factors, natural disasters such as droughts and dzuds contributed to the reduction in agricultural employment. While agriculture accounted for 30.4 percent of total employment in 2016 and remained the largest employment-generating sector at that time, its share declined to 28 percent by 2020. Employment in the trade sector increased until 2018, accounting for approximately 17 percent of total employment. However, the COVID-19 pandemic negatively affected sectoral activity, reducing its share of total employment to 13 percent by 2020.

During 2016–2020, the minimum wage was revised three times, increasing from MNT 192 thousand in 2016 to MNT 240 thousand in 2017, MNT 320 thousand in 2019, and MNT 420 thousand in 2020.

At the same time, between 60 and 70 percent of the annual resources of the Employment Promotion Fund were allocated to preserving existing jobs and creating new employment opportunities. Special programs supporting employment among youth, women, and persons with disabilities were also implemented. In total, 12 employment promotion programs and 46 policy measures were approved during 2016–2020. Furthermore, employment services such as career guidance, counseling, and job placement assistance were expanded. Between 2017 and 2020, approximately 364 thousand individuals received career guidance and counseling services. Through job placement services, 45.7 thousand persons were placed in employment in 2017 and 44.1 thousand in 2019. Although this figure declined to 33.1 thousand in 2020 due to the pandemic, the relatively high placement rate compared with the number of job seekers suggests that employment intermediation services remained effective and consistent throughout the period.

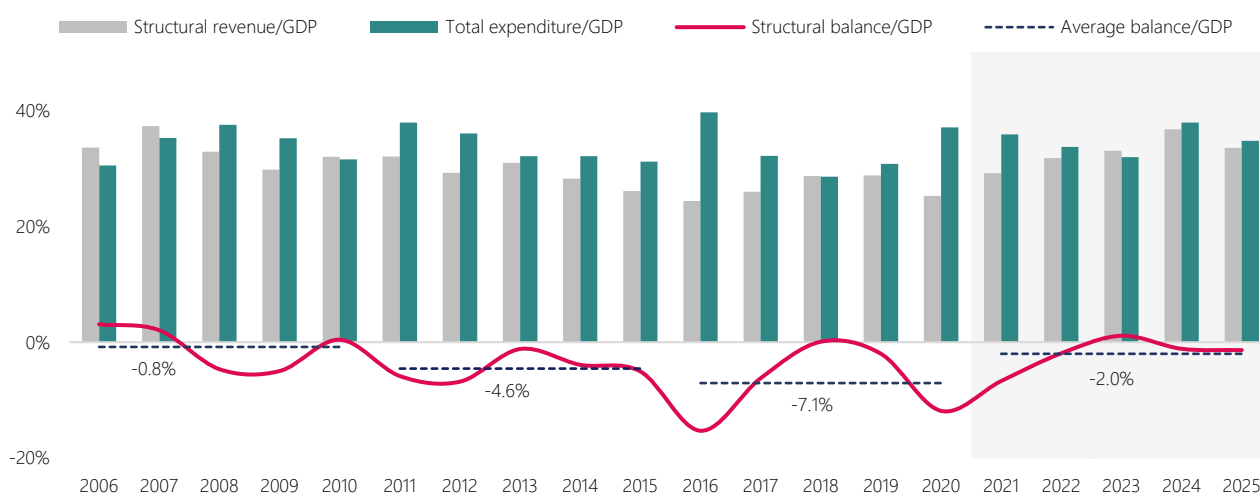
## 7.4. Fiscal

Driven by commodity price volatility following the global financial crisis, consolidated budget revenue fell year-on-year by 7.6% in 2009, 5.3% in 2015, and 2.5% in 2016. Pandemic-related disruptions further caused a 13.3% contraction in 2020. Conversely, revenue in other years expanded by an average of around 30% year-on-year.

Tolgoi project agreement, foreign direct investment in the mining sector surged, leading to a robust 56.7% year-on-year increase in budget revenue in 2010.

During the 2006–2010 period, total budget expenditure grew by an annual average of 34.2%. This expansion was primarily driven by rising wages and salary expenses—resulting from five separate revisions to the public service salary scale and

Figure 7.10. Fiscal indicators (percent of GDP)



Source: MOF

### 2006-2010

Between 2006 and 2010, consolidated budget revenue grew by an annual average of 32.8%, reaching 33.2% of GDP. During the same period, budget expenditure grew by an average of 34.2%, reaching 34.0% of GDP.

Driven by surging copper and gold prices, total consolidated budget revenue reached MNT 1.3 trillion in 2006. This represented a 61.5% increase year-on-year, a growth rate three times higher than the average for the preceding five years. The upward trend in global market copper prices continued through 2007–2008, boosting mining sector revenues and supporting overall budget revenue growth. However, due to severe commodity price volatility triggered by the global financial crisis, consolidated budget revenue fell to MNT 2.0 trillion in 2009, marking a 7.6% decline year-on-year. Following the signing of the Oyu

minimum wage baselines—as well as increased capital expenditure. In terms of expenditure structure, current expenditure accounted for an average of 76–80% of total spending, while capital expenditure made up 20–24% on average. Interest expenses remained stable, accounting for around 1–2% of total budget expenditure. The overall budget balance recorded surpluses of MNT 124.5 billion (3.1% of GDP) in 2006, MNT 102.0 billion (2.1% of GDP) in 2007, and MNT 41.8 billion (0.4% of GDP) in 2010. Conversely, the budget shifted into deficit during the global crisis years, registering deficits of MNT 305.7 billion (4.7% of GDP) in 2008 and MNT 328.6 billion (5.0% of GDP) in 2009.

### 2011-2015

During the 2011–2015 period, consolidated budget revenue grew by an annual average of 15.0%, accounting for 29.9% of GDP, while budget

expenditure expanded by an average of 20.2%, reaching 33.9% of GDP.

A continuous decline in global market prices for major mining commodities negatively impacted budget revenue mobilization. Specifically, total consolidated budget revenue fell from 33.3% of GDP in 2011 to 26.1% of GDP in 2015. To boost budget revenue, reduce the shadow economy, and improve tax transparency, the Government expanded the tax base, implemented systemic reforms, and strengthened fiscal oversight. Notably, the revised General Law on Value Added Tax was enacted in July 2015, introducing a 2% VAT rebate and a lottery system for citizens using VAT receipts. This regulatory mechanism was the primary driver behind tax revenues doubling compared to the preceding five-year period. Additionally, the Windfall Profits Tax Law on certain commodities was repealed in 2011 and replaced by a progressive Mineral Royalty (Oyu Tolgoi / Royalty) framework, which further supported budget revenue growth.

Total budget expenditure reached 5.0 trillion MNT in 2011, increased by 62.2% compared to the same period of the previous year. This growth was mainly driven by increased investment in roads, energy, electricity and heating, construction, urban development, and infrastructure.

In addition, social welfare and capital expenditures during 2011–2015 were three times higher than the average of the previous five years. The growth in budget expenditure was largely influenced by the expansion of the mining sector, pre-election commitments in 2012, and cash distributions from the Human Development Fund. Except for 2015, when budget expenditure decreased by 6.6 billion MNT compared to the same period of the previous year, expenditure grew by an average of 25.2% in the other years. This contraction was mainly due to strict cost-cutting measures enforced under the Law on Budget, which froze the initiation of new projects and trimmed allocations for certain capital

investments, programs, and subsidies. Following the historical peak of mining investment and the exceptional economic growth achieved in 2011, a subsequent collapse in global commodity prices and a sharp decline in foreign direct investment (FDI) led to an economic slowdown and mounting fiscal pressures. Consequently, the budget recorded deficits for five consecutive years during this period, averaging 4.6% of GDP. Although economic growth was temporarily supported by legal and regulatory reforms in the fiscal sector, as well as increased spending on social welfare and investment, the decline in commodity prices led to a drop in budget revenues while expenditures remained at a high level.

During this period, the fiscal deficit remained consistently high, and debt pressure increased sharply. Since fiscal policy was directly exposed to mining sector cycles, the theoretical introduction of performance-based budgeting failed to deliver a tangible impact in practice.

### **2016–2020**

During the 2016–2020 period, consolidated budget revenue grew by an annual average of 13.3%, accounting for 30.6% of GDP, while budget expenditure expanded by an average of 15.1%, reaching 33.7% of GDP. A prolonged decline in global commodity prices during 2012–2016 pushed copper and coal prices to historically low levels, resulting in total budget revenue falling to 24.4 percent of GDP in 2016. In response to the challenging economic environment, Mongolia entered the IMF Extended Fund Facility (EFF) arrangement in 2017, which contributed to macroeconomic stabilization and improved fiscal performance.

In addition, rising global coal prices and stronger external demand supported robust revenue growth during 2017–2019. Corporate income tax revenue increased by an average of 49.3 percent, while value-added tax (VAT) revenue rose by an average

of 30.3 percent over the period. As a result, total budget revenue reached MNT 12.0 trillion, or 31.8 percent of GDP, in 2019.

In 2020, the phased lockdowns and containment measures were introduced in response to the pandemic weakened business activity and reduced export volumes of major mineral commodities. Consequently, consolidated budget revenue declined by 13.3 percent year-on-year to MNT 10.4 trillion, reflecting revenue shortfalls in key sectors such as mining and wholesale trade.

On the expenditure side, total consolidated budget expenditure reached a historical high of 39.7 percent of GDP in 2016, mainly driven by a surge in capital spending. Under the IMF Extended Fund Facility program (EFFP), the government committed to gradually reducing the fiscal deficit and rationalizing inefficient expenditure, resulting in a 5.0 percent year-on-year decline in total expenditure in 2017. While growth trends resumed in the subsequent years.

In terms of expenditure composition, current expenditure accounted for approximately 70–79 percent of total expenditure during 2016–2020, while capital expenditure represented around 18–26 percent. In addition, debt servicing costs increased significantly from 2016 onward due to repayments and interest obligations related to external borrowings contracted during 2012–2015, including the Chinggis, Samurai, and Eurobond issuances. As a result, debt service payments accounted for 7–13 percent of total expenditure during 2016–2020.

Consequently, the overall budget balance recorded a surplus of 0.1 percent of GDP in 2018, while deficits were observed in the remaining years. The fiscal deficit reached a historical low of 15.3 percent of GDP in 2016, narrowed to 6.2 percent in 2017 and 2.0 percent in 2019, before widening again to 11.9 percent of GDP in 2020 amid the pandemic shock.

## 7.5. Foreign Trade

### Summary of Mongolia's Foreign Trade, 2006–2020

#### 2006–2010

During 2006–2010, Mongolia's total foreign trade turnover averaged USD 4.6 billion, while the trade balance recorded an average deficit of USD 260 million.

Driven by the sharp rise in global commodity prices that began in 2005, foreign investment inflows into Mongolia intensified, and exports of coal, crude oil, and iron ore doubled in 2006 compared to the previous year. As a result, mining products accounted for around 75 percent of total exports, while total exports grew by an average of around 30 percent annually during 2006–2008.

However, due to the global financial and economic crisis of 2008–2009, the prices of copper concentrate, crude oil, and coal declined by 40 percent, 38 percent, and 5 percent, respectively. Consequently, export revenues contracted by 26 percent in 2009. In 2010, following the commencement of operations of Erdenes Tavan Tolgoi JSC, the physical volume of coal exports doubled, leading total export revenues to increase by 54 percent compared to the previous year.

In terms of import structure, machinery, mechanical equipment, motor vehicles, and petroleum products accounted for 41.7 percent of total imports.

#### 2011–2015

Between 2011 and 2015, total foreign trade turnover averaged USD 10.5 billion, while the trade balance recorded an average deficit of USD 960 million.

In 2011, the implementation of major mining projects such as Oyu Tolgoi LLC increased foreign direct investment inflows. As a result, the physical volume of copper concentrate and coal exports

rose by 26–27 percent, while total export revenues increased by 64 percent, reaching a historic high.

However, due to the spillover effects of the global economic slowdown triggered by the collapse of the U.S. mortgage market, external demand from China weakened, and global commodity prices began to decline from 2012 onward. Although the physical volume of Mongolia's main export products remained stable during 2012–2013, export revenues declined for two consecutive years due to falling international commodity prices. Meanwhile, following the start of copper concentrate production at Oyu Tolgoi LLC in 2013, copper concentrate exports doubled during 2014–2015, resulting in an approximately 20 percent increase in total export revenues.

From a fiscal policy perspective, expansionary measures were implemented through the Human Development Fund, including cash transfers of MNT 120,000 per citizen in 2010 and MNT 252,000 per citizen in 2011, as well as housing subsidies and student tuition support programs. These measures sharply increased imports of consumer products. In addition, imports of equipment and construction materials surged due to the development of major mining projects, causing import flows to double in 2011. However, as construction activity slowed, imports began to decline from 2014 onward, reaching USD 3.8 billion in 2015, which was 42 percent lower than in 2011.

#### 2016–2020

For the first time in Mongolia's history, the country recorded a trade surplus for five consecutive years during 2016–2020. Over this period, total foreign trade turnover averaged USD 11.7 billion, while the trade balance recorded an average surplus of USD 1.7 billion.

Figure 7.11. Total Exports (million USD)

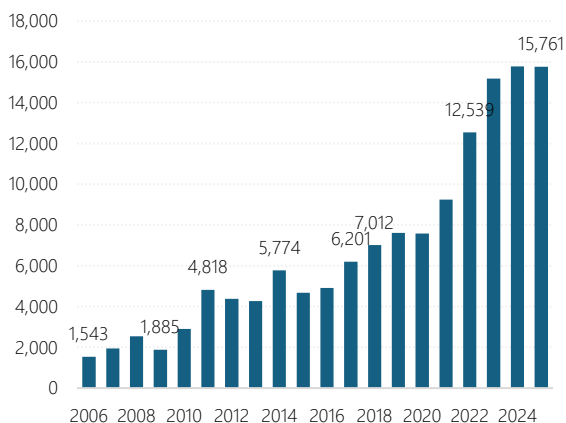


Figure 7.12. Total Imports (million USD)

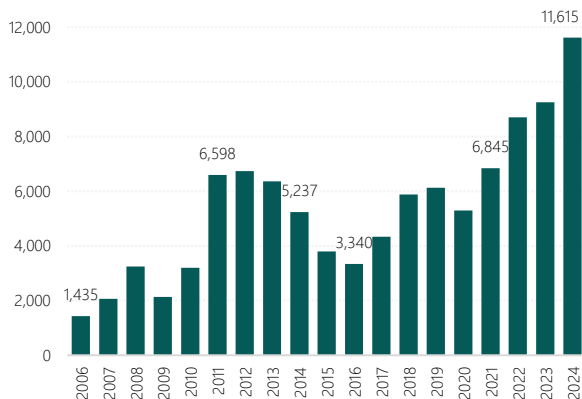


Figure 7.13. Export structure (percentage)

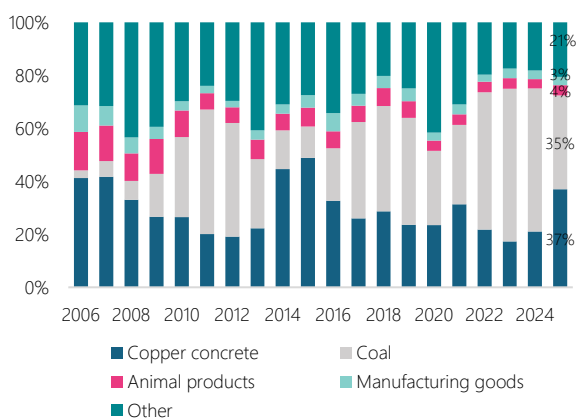
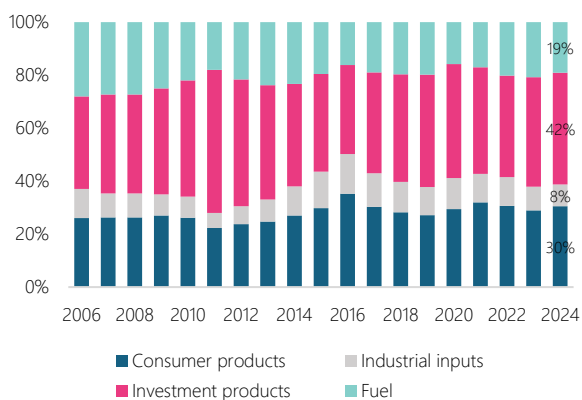


Figure 7.14. Import structure (percentage)



Source: General Customs Administration

In 2015–2016, coal prices fell to USD 40 per ton, the lowest level in a decade, slowing export growth. However, during 2017–2019, rising prices of major commodities and improving external demand supported continuous growth in coal and copper concentrate exports, with total export revenues increasing by around 10–20 percent annually.

In 2020, the COVID-19 pandemic caused border restrictions and logistics disruptions, leading to a decline in export revenues.

On the import side, the impact of investment related to Oyu Tolgoi LLC began to moderate from 2017 onward, while the recovery of the domestic economy helped imports rebound after four consecutive years of decline. As a result, imports increased by 30 percent to reach USD 4.3 billion, and this growth trend continued until 2020. Nevertheless, due to the pandemic, weakening demand, border restrictions, and transportation disruptions, import flows declined once again.

## 7.6. Balance of payments

### Summary of Balance of Payments, 2006–2020

#### 2006–2010

Mongolia's balance of payments remained relatively stable and in surplus during 2006–2010. 2006–2010, Mongolia's total foreign trade turnover averaged USD 4.6 billion, while the trade balance recorded an average deficit of USD 260 million.

Foreign direct investment (FDI) inflows increased from 2006 onward, while high prices for Mongolia's major export commodities supported a positive current account balance. As a result, the balance of payments recorded a surplus of USD 389 million in 2006. Official foreign exchange reserves reached USD 687.3 million, sufficient to cover five months of imports. The exchange rate appreciated, with the MNT strengthening by 4.6% against the USD to MNT 1,165 per USD by the end of the year.

In 2007, stable domestic and external economic conditions helped maintain official reserves at a level equivalent to 5.4 months of imports of goods and services, while the exchange rate remained relatively stable.

However, in 2008, imports surged by 57% due to rapidly rising global oil prices. At the same time, the global financial crisis led to declines in foreign loans, and investment inflows. Combined with a sharp drop in copper prices, Mongolia's key export commodity, these factors resulted in a balance of payments deficit of USD 238 million. International reserves fell to USD 637 million, covering only 2.6 months of imports—below the internationally accepted threshold of three months. The decline in foreign currency reserves contributed to an 8.3% depreciation of the MNT, which reached MNT 1,268 per USD by the end of 2008. In addition to external pressures, strong demand in the domestic foreign exchange market further weakened the currency.

To address excess demand and market distortions, the Bank of Mongolia introduced restrictions in April 2009 and prioritized foreign exchange transactions for strategically important imports. This helped prevent shortages of essential goods such as fuel, energy, medicine, and food.

Support from the IMF Stand-By Arrangement amounting to USD 229.2 million, assistance from donor governments totaling USD 151.3 million, and a USD 100 million inflow related to the Oyu Tolgoi project significantly boosted reserves. Consequently, international reserves reached a record high of USD 1.327 billion, equivalent to seven months of imports.

Economic growth recovered to 6.1% in 2010, leading to increased economic activity and a 49.7% rise in imports. As a result, the current account deficit widened to USD 932 million. However, FDI increased 2.8 times, and portfolio investment recorded a surplus of USD 879 million. Consequently, the capital and financial account posted a surplus of USD 1.3 billion, keeping the overall balance of payments in surplus. Cross international reserves reached USD 2.3 billion by the end of 2010, sufficient to cover 6.5 months of imports. The MNT also appreciated by 13% against the USD, reaching MNT 1,257 per USD.

#### 2011–2015

The rapid expansion of foreign trade, particularly imports, led to widening current account deficits during 2011–2015. However, strong inflows of FDI and external borrowing through sovereign and development bank bonds supported the capital and financial account, helping maintain overall balance of payments surpluses in the early years of the period.

In 2011, GDP grew by 17.3%, while total trade turnover increased by 83.1%, reflecting a significant expansion of economic activity. Imports surged due to the construction and equipment imports associated with the Oyu Tolgoi copper mine development. Although the current account deficit widened to USD 2,757 million, the capital and financial account recorded a surplus of USD 2,864 million, resulting in a balance of payments surplus of USD 28 million. International reserves rose to a record USD 2,458 million, sufficient to cover 4.3 months of imports.

The current account deficit expanded further to USD 3.4 billion in 2012, a 22% increase from the previous year. Nevertheless, the capital and financial account surplus increased by 72% to USD 4.9 billion. In addition to FDI inflows, foreign currency inflows were supported by bond issuances, including: USD 578 million by the Development Bank of Mongolia, USD 300 million by Trade and Development Bank, USD 1.5 billion by the Government of Mongolia. As a result, international reserves increased by 30% to USD 4.1 billion.

Consequently, the balance of payments recorded a deficit of USD 1.9 billion, and international reserves dropped by 45% to USD 2.3 billion. The weakening balance of payments position and declining reserves led to a 19% depreciation of the MNT, which reached MNT 1,659 per USD.

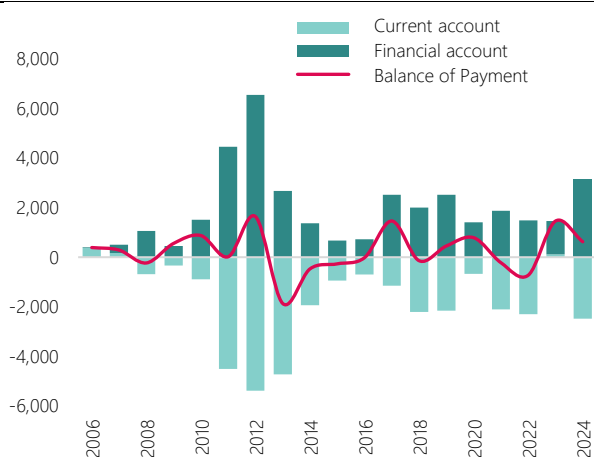
Balance of payments deficits persisted throughout 2014 and 2015, causing further declines in International reserves. International reserves levels fell below the amount needed to cover three months of imports, increasing external vulnerability.

### 2016-2020

Export earnings grew steadily during 2016–2020, allowing Mongolia to maintain trade surpluses for five consecutive years.

Mongolia joined an IMF-supported program in 2017, which helped strengthen investor confidence and improve external financing conditions. By late 2017, international foreign exchange reserves had reached USD 3.0 billion, sufficient to cover 5.9 months of imports.

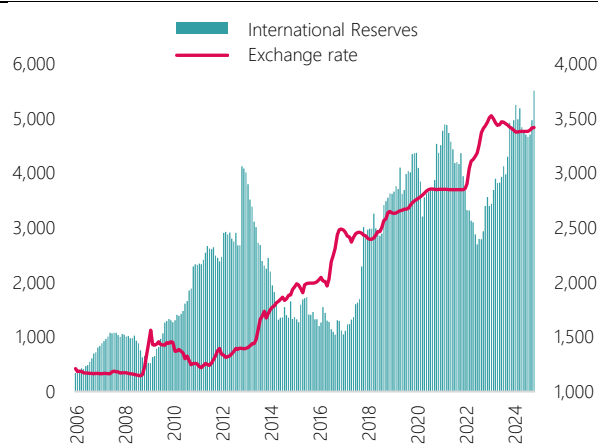
Figure 7.15. Balance of Payments (million USD)



Source : Mongolbank

Although the current account deficit narrowed by 6% in 2013, declines in both FDI and portfolio investment caused the capital and financial account surplus to fall by 70% to USD 1.5 billion.

Figure 7.16. Foreign Exchange Reserves and USD Exchange Rate (million USD)



Source : National statistics office

Although exports of mining products remained strong and supported a positive trade balance, the services account continued to record significant deficits. As a result, the current account deficit

reached USD 2.2 billion in 2019 despite favorable trade performance.

In 2020, the trade surplus increased by 53% to USD 2.3 billion. At the same time, the services trade

deficit narrowed by 27%. These developments helped reduce the current account deficit to USD 0.6 billion, significantly improving Mongolia's external position despite the challenges posed by the COVID-19 pandemic.

# Appendix

Table 44. Selected economic indicators

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

\*Bloomberg Terminal

\*\*Includes mortgage-backed securities

Table 55. Real sector

REAL SECTOR					
	2021	2022	2023	2024	2025
Nominal GDP (production approach)	13,971	30,980	47,388	70,442	16,544
Real GDP (production approach)	5,630	13,661	21,751	30,567	6,084
(percent change)					
<b>Real GDP growth</b>	1.6	5.0	7.4	5.1	6.8
<i>Mining</i>	0.8	-15.3	23.4	10.8	6.8
<i>Non-mining</i>	1.8	8.2	5.4	4.3	6.3
Agriculture	-5.5	12.0	-8.9	-28.7	33.2
Mining and quarrying	0.8	-15.3	23.4	10.8	10.6
Manufacturing	-0.9	6.1	5.1	-4.2	10.0
Electricity, gas, steam, air conditioning supply	10.6	3.5	5.2	5.0	10.2
Construction	-22.8	8.2	3.1	14.0	15.9
Wholesale and retail trade	5.8	10.1	6.8	11.9	-4.6
Transportation and storage	-7.3	9.2	39.6	16.4	4.8
Information and communication	20.7	6.6	17.0	17.4	7.2
Other service activities	5.1	5.5	6.8	9.7	3.9
Taxes less subsidies on products	12.2	11.5	6.6	14.7	0.3
Deflator	14.4	17.7	21.8	8.9	4.4
(percentage change)					
<b>Contributions to real GDP growth</b>					
Agriculture	-0.8	1.7	-1.3	-3.6	2.9
Mining and quarrying	0.1	-2.1	2.6	1.4	1.4
Manufacturing	-0.1	0.5	0.4	-0.3	0.7
Electricity, gas, steam, air conditioning supply	0.2	0.1	0.1	0.1	0.2
Construction	-0.9	0.2	0.1	0.4	0.5
Wholesale and retail trade	0.6	1.1	0.8	1.4	-0.6
Transportation and storage	-0.3	0.4	1.8	1.0	0.3
Information and communication	0.5	0.2	0.5	0.5	0.2
Other service activities	1.1	1.6	1.7	2.5	1.1
Taxes less subsidies on products	1.3	1.4	0.8	1.8	0.0
(in MNT billion)					
Nominal GDP(expenditure approach)	44,703	54,878	71,202	80,208	92,588
<i>Primary income</i>	(2,232)	(1,615)	(2,233)	(2,671)	(3,555)
Gross national income	37,197	48,696	62,716	71,614	79,845
<i>Secondary income</i>	429	434	398	421	312
Gross national disposable income	38,419	50,048	64,097	73,039	81,105
Domestic demand	45,574	58,219	64,404	81,027	87,704
National savings	14,360	21,083	31,730	32,382	34,261
Gross capital formation	15,993	22,796	23,880	28,672	28,252

Table 66. General government accounts

GENERAL GOVERNMENT ACCOUNTS								
	2021	2022	2023	2024	2025 Q1	2025 Q2	2025 Q3	2025 Q4
(in MNT billion)								
<b>TOTAL REVENUE AND GRANTS</b>	<b>14,306</b>	<b>18,522</b>	<b>24,387</b>	<b>31,457</b>	<b>6,432</b>	<b>14,033</b>	<b>22,244</b>	<b>32,646</b>
Future heritage fund	967	0	416	841	209	464	973	1,572
Stabilization fund	628	1,395	676	444	74	222	294	562
<b>STRUCTURAL REVENUE AND GRANTS</b>	<b>12,711</b>	<b>17,127</b>	<b>23,295</b>	<b>29,671</b>	<b>6,150</b>	<b>13,215</b>	<b>20,723</b>	<b>30,058</b>
<b>Tax revenue</b>	<b>11,300</b>	<b>15,459</b>	<b>21,484</b>	<b>27,417</b>	<b>5,795</b>	<b>12,173</b>	<b>19,024</b>	<b>27,086</b>
Income tax	3,326	3,827	5,703	8,971	2,017	3,742	5,882	8,539
Social security contributions	2,286	3,038	3,951	4,732	1,185	2,568	3,967	5,624
Property tax	201	238	395	459	141	321	456	608
Value added tax	2,838	3,946	4,777	5,867	1,250	2,884	4,390	6,224
Excise tax	827	848	790	1,107	295	553	767	955
Special tax revenue	17	19	22	26	7	12	19	25
Customs duties and export taxes	939	1,256	1,465	1,792	394	900	1,392	1,849
Other taxes, fees and charges	866	2,288	4,382	4,463	506	1,193	2,152	3,261
<b>Non-tax revenue</b>	<b>1,412</b>	<b>1,668</b>	<b>1,811</b>	<b>2,253</b>	<b>354</b>	<b>1,042</b>	<b>1,700</b>	<b>2,972</b>
General non-tax revenue	1,250	1,364	1,452	1,779	327	930	1,486	2,622
Capital revenue	2	4	8	6	1	4	8	10
Grant revenue	160	300	351	469	26	109	205	339
<b>TOTAL EXPENDITURE AND NET LENDING</b>	<b>15,630</b>	<b>18,160</b>	<b>22,509</b>	<b>30,591</b>	<b>6,503</b>	<b>13,973</b>	<b>22,058</b>	<b>31,289</b>
<b>Current expenditure</b>	<b>12,804</b>	<b>14,229</b>	<b>17,091</b>	<b>22,177</b>	<b>5,900</b>	<b>12,183</b>	<b>17,821</b>	<b>24,186</b>
Wages and salaries	2,532	1,666	2,327	5,368	1,511	3,314	4,584	6,223
Purchase of goods and services	2,170	2,140	2,758	4,188	720	1,759	749	1,033
Subsidies	454	537	580	955	243	435	659	799
Current transfers	6,813	9,088	10,276	10,429	3,017	5,934	8,748	11,762
Interest payments	836	798	1,150	1,236	408	741	1,238	1,557
<i>Foreign</i>	681	694	1,054	1,187	407	570	962	1,197
<i>Domestic</i>	155	104	96	49	1	171	276	360
<b>Capital expenditure and net lending</b>	<b>2,826</b>	<b>3,930</b>	<b>5,418</b>	<b>8,414</b>	<b>602</b>	<b>1,790</b>	<b>4,237</b>	<b>7,103</b>
Capital expenditure	2,982	3,803	5,188	7,971	592	1,754	4,122	7,090
Net lending	-156	127	229	444	10	36	115	12
<b>OVERALL BALANCE</b>	<b>-1,324</b>	<b>362</b>	<b>1,878</b>	<b>1,641</b>	<b>-70</b>	<b>59</b>	<b>186</b>	<b>1,357</b>
<b>PRIMARY BALANCE</b>	<b>-488</b>	<b>1,160</b>	<b>3,028</b>	<b>2,877</b>	<b>338</b>	<b>801</b>	<b>1,424</b>	<b>2,914</b>
<b>STRUCTURAL BALANCE</b>	<b>-2,919</b>	<b>-1,033</b>	<b>786</b>	<b>-920</b>	<b>-353</b>	<b>-758</b>	<b>-1,335</b>	<b>-1,232</b>
<b>FINANCING SOURCES</b>	<b>2,919</b>	<b>1,033</b>	<b>-786</b>	<b>-920</b>	<b>353</b>	<b>758</b>	<b>1,335</b>	<b>1,232</b>
Foreign	487	583	1,041	258	76	15	379	493
<i>Government bond*</i>	-176	-521	97	-899	300	300	438	373
<i>Government borrowing*</i>	663	1,104	944	1,157	-224	-285	-58	120
Domestic	2,432	-1,659	-1,827	662	277	743	956	739
<i>Net change in current and savings accounts</i>	1,919	-1,276	-1,028	-11	277	583	704	251
<i>Government bond*</i>	-216	378	-801	672	0	160	250	483
<i>Government borrowing*</i>	0	0	0	0	0	0	0	0
<i>Privatization</i>	1	2	3	1	0	0	2	4
<i>Transfer from the Future heritage fund</i>	0	0	0	0	0	0	0	0
<i>Stabilization fund accumulated balance</i>	729	752	0	0	0	0	0	0
<i>Others</i>	0	0	0	0	0	0	0	0

\*Net amount

Table 77. General government accounts (in percent of GDP)

GENERAL GOVERNMENT ACCOUNTS					
	2021	2022	2023	2024	2025
(in percent of GDP)					
<b>TOTAL REVENUE AND GRANTS</b>	<b>32.8</b>	<b>34.4</b>	<b>34.6</b>	<b>39.0</b>	<b>36.3</b>
Future heritage fund	2.2	0.0	0.6	1.0	1.7
Stabilization fund	1.4	2.6	1.0	0.6	0.6
<b>STRUCTURAL REVENUE AND GRANTS</b>	<b>29.2</b>	<b>31.8</b>	<b>33.1</b>	<b>36.8</b>	<b>33.4</b>
<b>Tax revenue</b>	<b>25.9</b>	<b>28.7</b>	<b>30.5</b>	<b>34.0</b>	<b>30.1</b>
Income tax	7.6	7.1	8.1	11.1	9.5
Social security contributions	5.2	5.6	5.6	5.9	6.3
Property tax	0.5	0.4	0.6	0.6	0.7
Value added tax	6.5	7.3	6.8	7.3	6.9
Excise tax	1.9	1.6	1.1	1.4	1.1
Special tax revenue	0.0	0.0	0.0	0.0	0.0
Customs duties and export taxes	2.2	2.3	2.1	2.2	2.1
Other taxes, fees and charges	2.0	4.2	6.2	5.5	3.6
<b>Non-tax revenue</b>	<b>3.2</b>	<b>3.1</b>	<b>2.6</b>	<b>2.8</b>	<b>3.3</b>
General non-tax revenue	2.9	2.5	2.1	2.2	2.9
Capital revenue	0.0	0.0	0.0	0.0	0.0
Grant revenue	0.4	0.6	0.5	0.6	0.4
<b>TOTAL EXPENDITURE AND NET LENDING</b>	<b>35.9</b>	<b>33.7</b>	<b>32.0</b>	<b>37.9</b>	<b>34.8</b>
<b>Current expenditure</b>	<b>29.4</b>	<b>26.4</b>	<b>24.3</b>	<b>27.5</b>	<b>26.9</b>
Wages and salaries	5.8	3.1	3.3	6.7	6.9
Purchase of goods and services	5.0	4.0	3.9	5.2	1.1
Subsidies	1.0	1.0	0.8	1.2	0.9
Current transfers	15.6	16.9	14.6	12.9	13.1
Interest payments	1.9	1.5	1.6	1.5	1.7
<i>Foreign</i>	1.6	1.3	1.5	1.5	1.3
<i>Domestic</i>	0.4	0.2	0.1	0.1	0.4
<b>Capital expenditure and net lending</b>	<b>6.5</b>	<b>7.3</b>	<b>7.7</b>	<b>10.4</b>	<b>7.9</b>
Capital expenditure	6.8	7.1	7.4	9.9	7.9
Net lending	-0.4	0.2	0.3	0.6	0.0
<b>OVERALL BALANCE</b>	<b>-3.0</b>	<b>0.7</b>	<b>2.7</b>	<b>2.0</b>	<b>1.5</b>
<b>PRIMARY BALANCE</b>	<b>-1.1</b>	<b>2.2</b>	<b>4.3</b>	<b>3.6</b>	<b>3.2</b>
<b>STRUCTURAL BALANCE</b>	<b>-6.7</b>	<b>-1.9</b>	<b>1.1</b>	<b>-1.1</b>	<b>-1.4</b>

Table 88. Balance of payments

BALANCE OF PAYMENTS					
	2021	2022	2023	2024	2025
(in USD million)					
<b>I. CURRENT ACCOUNT</b>	-2,108	-2,304	121	-2,485	-2,191
Goods	1,370	1,233	4,549	3,081	3,864
Export F.O.B (credit)	8,136	9,854	13,914	14,750	14,932
Import F.O.B (credit)	6,766	8,622	9,366	11,668	11,068
Services	-1,675	-2,355	-2,592	-3,317	-2,855
Credit	814	1,135	1,587	1,604	2,011
Debit	2,490	3,490	4,179	4,922	4,866
Primary income	-2,232	-1,615	-2,233	-2,671	-3,541
Credit	292	344	455	559	548
Debit	2,524	1,959	2,687	3,230	4,088
Secondary income	429	434	398	421	341
<b>II. Capital account</b>	114	154	135	171	127
Credit	115.7	165.9	148.6	183.3	143
Debit	1.7	11.7	13.8	12.0	16
<b>III. Financial accountC: (lending+/borrowing-)</b>	1,982	1,644	1,477	3,330	3,321
Direct investment (цэвэр)	2,060	2,428	2,172	2,727	2,616
Portfolio investment (net)	-25	-445	-818	1,105	833
Financial derivatives (net)	8	11	2	13	-7
Other investments (net)	-60	-351	121	-515	-121
of which: Currency and deposits	-245	-298	-354	-1,075	-945
Loans	501	-67	529	630	586
Trade credit and advances	-413	15	-54	-70	239
<b>IV. Net errors and omissions</b>	-209	-222	-276	-393	-223
<i>Overall balance</i>	-222	-727	1,457	622	1,034
<b>V. Reserve assets</b>	-222	-727	1,457	622	1,034
Reserve	-225	-751	1,398	540	974
IMF loan	-3.3	-23.7	-59.1	-82.5	-59.9
Exceptional financing	0.0	0.0	0.0	0.0	0.0
<b>Memorandum items:</b>					
Nominal GDP (in USD million)	15,286	17,124	20,325	23,793	25,367
Gross official reserves (in USD million)	4,366	3,400	4,922	5,510	7,005
in months of imports of G&S	5.7	3.4	4.4	4.0	5.3
MNT/USD exchange rate (average)	2,849	3,140	3,466	3,390	3,546
MNT/USD exchange rate (eop)	2,849	3,445	3,411	3,420	3,557

Table 99. Balance of payments (in percent of GDP)

<b>BALANCE OF PAYMENTS</b>					
	2021	2022	2023	2024	2025
(in USD million)					
<b>I. CURRENT ACCOUNT</b>	-13.8%	-13.5%	0.6%	-10.4%	-8.6%
Goods	9.0%	7.2%	22.4%	13.0%	15.2%
Export F.O.B (credit)	53.2%	57.5%	68.5%	62.0%	58.9%
Import F.O.B (credit)	44.3%	50.3%	46.1%	49.0%	43.6%
Services	-11.0%	-13.8%	-12.8%	-13.9%	-11.3%
Credit	5.3%	6.6%	7.8%	6.7%	7.9%
Debit	16.3%	20.4%	20.6%	20.7%	19.2%
Primary income	-14.6%	-9.4%	-11.0%	-11.2%	-14.0%
Credit	1.9%	2.0%	2.2%	2.3%	2.2%
Debit	16.5%	11.4%	13.2%	13.6%	16.1%
Secondary income	2.8%	2.5%	2.0%	1.8%	1.3%
<b>II. Capital account</b>	0.7%	0.9%	0.7%	0.7%	0.5%
Credit	0.8%	1.0%	0.7%	0.8%	0.6%
Debit	0.0%	0.1%	0.1%	0.1%	0.1%
<b>III. Financial accountC: (lending+/borrowing-)</b>	13.0%	9.6%	7.3%	14.0%	13.1%
Direct investment (цэвэр)	13.5%	14.2%	10.7%	11.5%	10.3%
Portfolio investment (net)	-0.2%	-2.6%	-4.0%	4.6%	3.3%
Financial derivatives (net)	0.0%	0.1%	0.0%	0.1%	0.0%
Other investments (net)	-0.4%	-2.0%	0.6%	-2.2%	-0.5%
of which: Currency and deposits	-1.6%	-1.7%	-1.7%	-4.5%	-3.7%
Loans	3.3%	-0.4%	2.6%	2.6%	2.3%
Trade credit and advances	-2.7%	0.1%	-0.3%	-0.3%	0.9%
<b>IV. Net errors and omissions</b>	-1.4%	-1.3%	-1.4%	-1.7%	-0.9%
<i>Overall balance</i>	-1.4%	-4.2%	7.2%	2.6%	4.1%
<b>V. Reserve assets</b>	-1.4%	-4.2%	7.2%	2.6%	4.1%
Reserve	-1.5%	-4.4%	6.9%	2.3%	3.8%
IMF loan	0.0%	-0.1%	-0.3%	-0.3%	-0.2%
Exceptional financing	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Memorandum items:</b>					
Nominal GDP (in USD million)	15,286	17,124	20,325	23,793	25,367
Gross official reserves (in USD million)	4,366	3,400	4,922	5,510	7,005
in months of imports of G&S	5.7	3.4	4.4	4.0	5.3
MNT/USD exchange rate (average)	2,849	3,140	3,466	3,390	3,546
MNT/USD exchange rate (eop)	2,849	3,445	3,411	3,420	3,557

Table 1010. Monetary sector

MONETARY SECTOR					
	2021	2022	2023	2024	2025
	(in MNT billion)				
<b>Net foreign assets</b>	<b>3,806</b>	<b>2,492</b>	<b>8,959</b>	<b>8,704</b>	<b>8,700</b>
<b>Net domestic assets</b>	<b>24,057</b>	<b>27,173</b>	<b>27,872</b>	<b>33,847</b>	<b>38,377</b>
Domestic claims (net)	24,298	25,648	29,106	35,343	43,287
Other items (net)	(241)	1,525	(1,233)	(1,496)	(4,911)
<b>Broad money</b>	<b>27,863</b>	<b>29,665</b>	<b>36,832</b>	<b>42,551</b>	<b>47,077</b>
Currency outside depository corporations	847	831	906	978	999
Currency and deposits	27,016	28,834	35,926	41,573	46,078
	(percent change)				
<b>Year-on-year</b>					
<b>Broad money</b>	<b>13.8</b>	<b>6.5</b>	<b>24.2</b>	<b>15.5</b>	<b>10.6</b>
Net foreign assets	-34.6	-34.5	259.5	-2.8	0.0
Net domestic assets	28.9	13.0	2.6	21.4	13.4
Domestic claims (net)	27.0	5.6	13.5	21.4	22.5
Net claims on government	-49.8	107.6	91.3	64.2	3.2
Net claims on other sectors	19.2	9.9	19.8	27.0	19.3
Claims on public sector	25.0	-5.0	-16.7	13.1	-7.8
Claims on private sector	18.8	10.8	21.7	27.5	20.1
	(percentage points)				
<b>Contributions to broad money growth</b>					
<b>Broad money</b>	<b>13.8</b>	<b>6.5</b>	<b>24.2</b>	<b>15.5</b>	<b>10.6</b>
Net foreign assets	-8.2	-4.7	21.8	-0.7	0.0
Net domestic assets	22.0	11.2	2.4	16.2	10.6
<b>Memorandum items:</b>					
Velocity of money	1.6	1.8	1.9	1.9	1.9
Nominal GDP growth (percent change)	16.3	23.6	30.8	14.5	11.5
Consumer prices (eop, percent change)	13.8	13.2	7.9	8.3	7.5

