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MINISTRY OF ECONOMY
AND DEVELOPEMTNT

MACROECONOMIC REPORT

2025Q2





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AND DEVELOPMENT

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OCTOBER 2025

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INSTABILITY AND EMERGING CHALLENGES 2025 Q2

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Abbreviations

CIT	Corporate Income Tax
COP	Conference of the Parties
FDI	Foreign Direct Investment
FRG	Federal Republic of Germany
GDP	Gross Domestic Product
GNI	Gross National Income
GHG	Greenhouse Gas
HPP	Hydropower Plant
IMF	International Monetary Fund
LLC	Limited Liability Company
LGOE	Local Government-Owned Enterprise
MCGA	Mongolian Customs General Administration
MED	Ministry of Economy and Development
NBFI	Non-Bank Financial Institutions
NEER	Nominal Effective Exchange Rate
NSO	National Statistics Office / National Statistical Office
OECD	Organization for Economic Co-operation and Development
PIT	Personal Income Tax
PMI	Purchasing Managers' Index
ROA	Return on Assets
PRC	People's Republic of China
RF	Russian Federation
SOE	State-Owned Enterprise
TPP	Thermal Power Plant
VAT	Value-Added Tax

EXECUTIVE SUMMARY

Economic growth remained close to its level in the same period last year. Nominal GDP reached MNT 40 trillion, up 8.8 percent, while real GDP stood at MNT 15.3 trillion, increasing by 5.6 percent year-on-year. A 35.6 percent expansion in agriculture persisted quarter-on-quarter, and the recovery in construction and manufacturing supported growth, whereas mining, transportation, and trade sectors softened the momentum.

In the first half of 2025, favorable spring conditions and normal calving and growth cycles supported a rebound in livestock activities, with the agriculture sector expanding by 36 percent and contributing 3.6 percentage points to economic growth. The construction sector rose by 25 percent in the first half, primarily driven by residential buildings in Ulaanbaatar, as well as hospitals, schools, kindergartens, and the railway construction on the Bagakhangai–Khushigiin Khundii corridor. Additionally, manufacturing recovered, supported by increased production of non-metallic mineral products following the rise in construction and major repairs, and by higher output of explosives and explosive chemicals in line with stronger activity in metal ore mining, including copper concentrate and iron ore. These developments bolstered overall growth.

By contrast, the mining sector grew by 1.1 percent. Coal output fell 11 percent year-on-year amid lower coal prices on global markets, while higher copper prices and increased underground production at Oyu Tolgoi lifted copper output by 32 percent year-on-year. The transport sector, closely linked to mining, contracted by 12.5 percent overall, mainly due to reduced revenues from road transport of coal, weighing on economic growth. Shorter export transport distances for coal lowered fuel consumption in road transport, which in turn reduced fuel sales in the wholesale and retail trade sector; as a result, trade contracted by 5.7 percent in the first half.

From the demand side, investment and private consumption supported the growth, while export contraction tempered it. Employment rate rose to 59.1 percent, up 0.5 percentage points year-on-year, due to higher employment and lower unemployment, which contributed to increase in household income and supported the private consumption. Although household real income growth slowed, reflecting higher prices. Regarding investment, capital stock growth was led by a MNT 1.1 trillion rise in biological assets, as abnormal loss of adult livestock declined. Additionally, growth in other construction and residential buildings contributed to capital stock. In contrast, growth of goods and services imports, which consistently exceeded 20 percent over the past two years, slowed to 1.5 percent, while exports declined by 4.5 percent, dragging down the overall economic growth.

Current account deficit widened amid a decline in export revenues despite the slowdown in import growth. Imports increased by 2.8 percent year-on-year, but imports of industrial inputs and investment products that support the economy and production declined. However, export revenues decreased by 16 percent year-on-year. The increase in coking coal extraction in China and the decrease in demand for coking coal from large steel mills negatively affected the volume of our country's coal exports. In addition, the increase in global uncertainty and the decrease in coal prices in the global market had a major impact on the decline in export earnings. Although imports of goods and services contracted, and the deficit in the primary income account, such as wages and salaries, capital gains, and dividends, decreased year-on-year, the current account deficit reached USD 1.7 billion due to the decrease in goods exports, and the balance of payment reached USD 450 million.

Budget revenue slowed due to lower coal prices and export revenues. As coal prices declined, budget revenue from the mining sector decreased, and in the first half of 2025, the structural revenue amounted to MNT 13.2

trillion, a decrease of MNT 1.0 trillion or 6.9 percent compared to the same period of the previous year. As a result, the structural budget balance recorded a deficit of MNT 758.0 billion. Although the budget structural revenue had been planned at MNT 14.6 trillion for the first half of 2025, the actual performance was 9.7 percent lower than the planned amount. On the other hand, total budget expenditure reached MNT 13.9 trillion, an increase of 8.2 percent compared to the same period of the previous year, mainly due to higher current expenditures, including increased salaries for civil servants and pensions from the Social Insurance Fund.

Inflation eased to 8.2 percent, though it remained above the central bank's target band. The moderation reflected weaker domestic economic activity, a decline in demand-driven inflationary pressures, and a slowdown in supply-side price increases compared to the previous quarter. Both food and non-food inflation exhibited a downward trend during this period. The policy rate was maintained at 12 percent throughout the second quarter of 2025.

Credit growth continued to decelerate. The total outstanding loans increased by 27 percent year-on-year in the second quarter of 2025, marking a slowdown compared to previous quarters. New lending was mainly concentrated in business loans, while growth in consumer loans declined. The growth of money supply also continued to moderate, reaching 3.7 percent, primarily driven by the expansion of domestic credit. Meanwhile, non-performing loans increased by 6.1 percent year-on-year. Total deposits grew by 15.1 percent in the second quarter of 2025, with most of the increase coming from individuals' domestic currency deposits.

NEAR-TERM OUTLOOK

Global uncertainty is likely to continue heightening.

Global uncertainty has reached its highest level, and potential expansion of trade tensions may constrain global economy and push up inflationary pressures. In addition, risks arising from economic and geopolitical instability such as the downturn in Chinese real estate sector, Russia and Ukraine war, and instability in the Middle East may further weaken the outlook for the global economy.

Copper and gold prices are expected to remain elevated, whereas coal and iron ore prices have little room to rise.

Rising global uncertainty and increased gold purchases by central banks have boosted demand for safe haven assets, pushing gold prices. Meanwhile, demand for copper is growing due to the rapid expansion of electric vehicles, renewable energy, data centers, and the technology sector, and the average price of copper is projected to reach USD 9,200 in 2025. In contrast, due to the trade war and Chinese property market downturn, coal prices declined by 41 percent to USD 66 in the first half of 2025. As international analysts expect coal prices not to rebound sharply in the short term, the average price of coal is projected to remain around USD 70 in 2025.

Economic growth is projected at around 5.5 percent in 2025.

By sector, a rebound in agriculture and manufacturing, alongside steady activity in services, is expected to underpin growth. In particular, higher copper and gold grades in Oyu Tolgoi's concentrate are set to be a key driver at a time of strong global demand. Steady investment and household spending are expected to keep supporting overall economic growth. Rise in number of adult and young livestock is anticipated to contribute to higher capital formation.

The growth rate of labor market indicators is expected to slow down.

Driven by labor demand, the number of employees is expected to increase in 2025. This growth is mainly driven by the recovery

of the agricultural sector, which accounts for one in four workers, and is expected to support overall employment growth. However, the number of employees in mining, construction, and trade is expected to increase, but at a slower pace.

Inflation is expected to reach the central bank's target band by the end of 2025.

Although prices of domestic goods and services have risen amid higher electricity tariffs and strong demand-driven pressures, inflation is expected to decelerate and stabilize in the end of the year. Nonetheless, inflationary risks remain elevated due to ongoing geopolitical tensions, climate change, and potential disruptions in transport and logistics.

Sovereign credit ratings are expected to remain stable.

In October 2025, Moody's upgraded Mongolia's rating from B2, stable, to B1, stable; in September 2025, Fitch affirmed the rating at B+ with a stable outlook; and as of 2024, S&P rated Mongolia at B+ with a positive outlook. The maintenance and, in some cases, improvement of ratings are expected to lower Mongolia's external financing costs, strengthen investor confidence, and support financial stability.

CHAPTER I

REAL SECTOR

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

1. REAL SECTOR

OVERVIEW

Economic growth rose by 5.6 percent in the first half of 2025, broadly in line with the revised June 2025 projection. Agriculture continued to be the main driver, while activity strengthened in mining, construction, and manufacturing, further supporting growth. By contrast, transportation and trade contracted. From the demand side, investment and household consumption supported growth, whereas a decline in goods exports weighed on activity. The labor force participation rate reached 61.9 percent, and real household income grew by 8 percent, underpinning consumption. Potential growth has increased to around 5-6 percent, and overall output is currently close to potential.

1.1. Aggregate supply

- 1. Economy grew by 5.6 percent.** Nominal GDP increased by 8.8 percent year-on-year, reaching MNT 40 trillion in the first half of 2025, while real GDP growth reached 5.6 percent. Economic growth remained broadly in line with both the same period last year and official projection update made in June. The recovery in the agricultural sector supported overall growth, whereas slower expansion in the mining sector and contractions in the transport and trade sectors moderated overall economic activity.
- 2. Mining growth slowed to 1.1 percent.** Although activity in the mining sector improved in Q2 2025 compared to the previous quarter, it remained below the level of the same period last year. Coal production reached 43.7 million tons in the first half of 2025, down 11.0 percent year-on-year. Crude oil output fell for the sixth consecutive quarter to 1.9 million tons, and gold production declined for the tenth consecutive quarter to 4.5 tons, both dragging on mining growth. In contrast, iron ore production recovered from Q2 2025, reaching 3.4 million tons, up 17 percent year-on-year. Output from Oyu Tolgoi's underground mine increased by 32 percent in the first half of 2025 compared to the same period last year, supporting sector growth.
- 3. Non-mining sector grew by 6.3 percent, accounting for 5.5 percentage points of overall economic growth.** Growth was underpinned by agriculture, construction, manufacturing, and energy, while the transport and trade sectors contracted.
- 4. The recovery of the livestock sector, which accounts for around 90 percent of agricultural output, continued to support overall economic growth.** Favorable spring conditions during the first half of 2025 led to normal birth rates, resulting in a total of 20.8 million survival young animals surviving newborn livestock (a 98.5 percent survival rate), up by 5.4 million head from the same period last year. In addition, the number of adult livestock losses declined markedly to 189 thousand, 7.9 million lower than a year earlier. As a result, agricultural output expanded by 36 percent, contributing 3.6 percentage points to overall economic GDP growth. In contrast, crop production was constrained by below-average precipitation across major farming regions during the first half of the year, leading to a 38-thousand-hectare reduction in sown area as of June 2025 compared to the same period last year.
- 5. The construction sector expanded, driven primarily by developments in Ulaanbaatar.** In the first half of 2025, construction activity—including residential buildings, hospitals, schools, kindergartens, and the Bagakhangai–Khoshgiin Khondii railway project—rose by 25 percent, contributing 0.4 percentage points to overall GDP growth. Particularly, in nominal terms, total construction, capital repairs building and maintenance major renovation works increased by 32 percent (MNT 1.2 trillion), or 32 percent, compared with the same period last year. Of this increase, residential construction accounted for 11.1 percentage points, hospitals, schools, and cultural facilities 6.2 percentage points, and railway construction 4.8 percentage points. By location, construction and major renovation activity in Ulaanbaatar, as well as residential construction in Darkhan-Uul and Orkhon aimags, were the main contributors to growth. In contrast, the high base effect from railway construction in Umnugovi and Dornogovi aimags in the previous year, together with slower progress in residential construction in Bayankhongor and the Orkhon–Khishig–Öndör–Gurvanbulag highway project in Bulgan aimag, constrained the overall expansion.
- 6. The manufacturing sector continued to be supported primarily by the production of explosives and non-ferrous mineral-based products¹.** In the

¹ Production of non-metallic mineral products includes the manufacture of cement, lime, concrete, other materials

made from cement and gypsum, stone cutting and stone furniture, refractory products, and clay-based building materials.

first half of 2025, manufacturing output rose by 5.8 percent year-on-year, contributing 0.4 percentage points to overall GDP growth, driven by increased production of explosives associated with the expansion of construction and major renovation works, as well as heightened activity in non-ferrous mineral and copper ore extraction. In addition, the production of soft drinks and bottled water provided a positive contribution to manufacturing growth. Conversely, output in dairy products, textiles, metals, coke, and refined petroleum products contracted, partially constraining overall growth in the manufacturing sector.

7. **Growth in the energy sector remained steady.** The electricity, gas, steam, and air-conditioning supply sector expanded by 8.4 percent in the first half of 2025, contributing 0.3 percentage points to growth. This was mainly driven by increased production at newly commissioned thermal power plants such as Toson and Buurljuut. Electricity generation reached 4.8 billion kWh, up 9 percent year-on-year, and heat production reached 9.5 million Gcal, up 7.7 percent, keeping energy sector growth stable.
8. **Growth in services slowed to 1.5 percent in the first half of 2025.** Due to a 22 percent decline in road transport revenues to MNT 2.5 trillion—which accounts for around 65 percent of total freight turnover and about 50 percent of transport sector revenues—the transport sector contracted by 12.5 percent, dragging on services growth. The decline in road transport revenue was influenced by shorter distances for coal transport. Specifically, coal shipments from the Tavantolgoi deposit via the Gashuunsukhait² border crossing fell by 2.9 million

tons year-on-year, while shipments from the Nariinsukhait deposit via the Shiveekhuren³ crossing increased by 1.3 million tons. Railway transport revenue was MNT 785.5 billion, down 0.04 percent from a year earlier, further constraining transport sector growth.

Wholesale and retail trade contracted by 5.7 percent in the first half of 2025, subtracting 0.7 percentage points from overall growth. Although nominal sales revenue in the trade sector decreased by 0.6 percent, the contraction was mainly driven by non-food products, which account for 77 percent of the sector. In particular, retail sales of petroleum products fell by 6.4 percent, and wholesale sales of solid, liquid, and gaseous fuels declined by 13.9 percent. The Purchasing Managers' Index, which reflects the economic expectations of domestic traders, has been in contractionary territory for four consecutive quarters, indicating weakening activity in the sector⁴.

Growth in the information and communications sector remained at 16.6 percent, contributing 0.6 percentage points to overall growth. Other services operated normally and grew by 4.5 percent in the first half of the year.

9. **Net product taxes grew by 1 percent, adding 0.2 percentage points to growth.** Although VAT revenues from domestic goods and services and from imports increased by 5 percent and 8 percent, respectively, total VAT revenue decreased due to a 2.1-fold increase in VAT refunds, limiting the increase in net taxes.

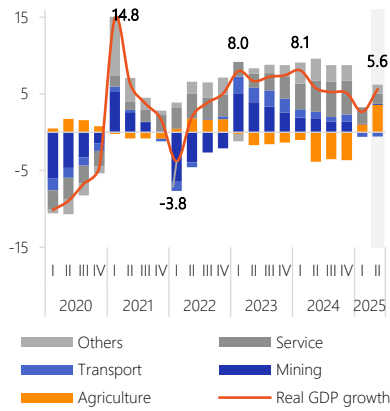
² The average transport distance for coal exported from the Tavan Tolgoi deposit via the Gashuunsukhait border crossing is approximately 248.5 km.

³ The transport distance for coal exported from the Nariinsukhait deposit via the Shiveekhuren border crossing is approximately 51 km.

⁴ Source: Purchasing Managers' Index (PMI), Q1 2025. Bank of Mongolia.

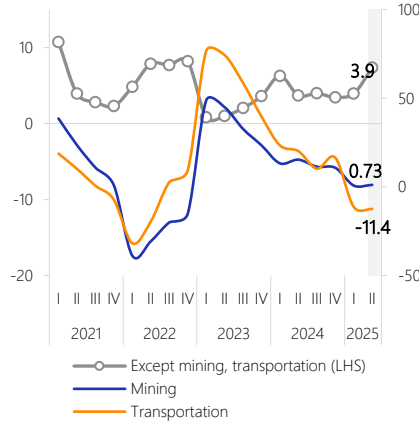
Figure 1.1. Real GDP growth

1. Real GDP growth contribution (percentage points)



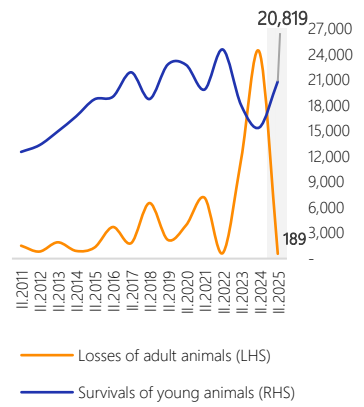
Source: NSO
 Note: Contributions of sectors to the y-o-y cumulative growth of real GDP.

2. The growth by sectors (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.

Box 1. The objectives of the measurements being implemented in the agriculture and manufacturing sectors

“Food Revolution” National Campaign

In accordance with Parliament Resolution No. 36 of 2022 titled “On Certain Measures to Ensure Food Supply and Security,” the National Movement on “Food Supply and Security” is being implemented during the period 2022–2026. The movement aims to ensure food security, fully meet domestic demand for food products, and promote the intensive development of livestock husbandry and crop farming. Within the framework of the “Food Revolution” National Movement, a total of 114 measures are planned to be implemented to improve the legal environment of the food, agriculture, and light industry sectors, and to support the development of crop production, livestock farming, and food processing industries.

As a result of this movement, Mongolia aims to fully meet domestic demand for 19 key food products, including meat and meat products, milk and dairy products, vegetables, flour and flour-based products, eggs, butter, sugar, rice varieties, fruits, and berries, while also laying the foundation for future food exports. To ensure food supply and security, and to further develop the production of export-oriented food and agricultural products, a total of 1.7 trillion MNT in financing is required for the 2022–2026 period. The funding sources comprise interest subsidies and guarantee from the state budget, as well as foreign loans and aid. As of the end of 2024, concessional loans totaling 1.261 trillion MNT had been extended to 3,160 enterprises through commercial banks, with interest rates ranging from 5 to 6 percent and maturities of 3 to 5 years. Of the total loans issued, 65 percent were allocated to the food sector, 27 percent to crop farming, and 8 percent to livestock husbandry.

As a result of the loans provided through the “Food Revolution” National Movement, 39 new food processing plants have been commissioned. In the crop farming sector, cold storage capacity increased by 62.2 thousand tons compared to the 2021 baseline level, reaching a total of 292.2 thousand tons. The movement is expected to contribute to increased production of 19 key food products, enabling full satisfaction of domestic demand. This, in turn, is anticipated to ease supply-driven inflationary pressures and create conditions for improving households’ real income.

“White Gold” movement

Mongolia has an annual raw material reserve of approximately 30–35 thousand tons of sheep wool, around 10 thousand tons of goat cashmere, and about 2 thousand tons of camel wool. Approximately 70–75 percent of the processed raw materials are exported after washing. Specifically, in the case of cashmere, around 70 percent is washed, 10 percent is combed, and about 20 percent is processed into final products. For sheep wool, approximately 75 percent is washed and 25 percent is converted into finished goods, while for camel wool, around 90 percent is washed and 10 percent is processed into final products.

Although Mongolia has the capacity to collect an average of 18 million pieces of raw hides and skins annually, less than 30 percent is processed, while the remainder remains unprocessed. In 2023, domestic processing plants processed a total of 5.5 million pieces, of which 3.3 million underwent semi-processing and 2.3 million were fully processed, leaving 12.5 million hides and skins unprocessed.

Therefore, by fully processing domestic reserves of wool and cashmere, which are Mongolia’s main non-mining export products, and increasing the production of value-added and final goods, it is possible to sustain growth in the processing industry and support export earnings. To promote the production of value-added products, the “White Gold” Movement was launched pursuant to Parliament Resolution No. 63 of 2024 titled “On Certain Measures to Support the Processing of Animal-Origin Raw Materials.” Furthermore, the Government of Mongolia’s 2024–2028 Action Program stipulates that policies to support the production and export of innovative high value-added final products from animal-origin raw materials will be implemented through public–private partnerships under the framework of the “White Gold” Movement. The “White Gold” Movement will be implemented in four main areas, namely establishing the sector’s legal and regulatory framework; supporting the quality and supply system of raw materials; increasing production, sales, and exports while expanding market access; and developing and strengthening the sector’s human resources. Within the movement, targets have been set to increase the full processing level of cashmere from 20 percent to 40 percent, wool from 25 percent to 55 percent, and hides and skins from 30 percent to 50 percent by 2028. These goals and measures play a crucial role in supporting the growth of the processing industry.

Table 1.1. Objectives of White Gold movement

Expected outcome		Unit of Measure	Baseline	Target 2028
Increase the full processing level of cashmere		percent	20	40
Increase the processing and utilization rate of wool		percent	25	55
Increase the utilization and deep-processing level of hides and skins	Processing level	percent	30	50
	Hides and skins utilization	Fully processed	2.3	4.0
		Semi-processed	3.3	5.2
		Unprocessed	12.5	8.8

“Atar IV” Agricultural Sustainable Development Campaign

In Mongolia, 61.6 percent of arable land is severely degraded and 47.7 percent has very low fertility. Although investment in the crop sector has been gradually increasing and the cultivated area has expanded, problems such as the breakdown of the crop seed and varietal system, the absence of a system for seed quality, production, and distribution, and an inadequate supply of seeds of locally adapted varieties are negatively affecting productivity and output in the crop sector. Therefore, to meet the growing food needs of the population, the Government of Mongolia’s 2024–2028 Action Program includes implementation of the “Atar-4” campaign. The goal of the Atar-4 Sustainable Crop Development Campaign is to introduce advanced farming technologies, localize new and beneficial crops suited to soil and climatic conditions, and increase feed production, thereby establishing an optimal combination of crop farming and animal husbandry and developing the central region into a model agricultural zone.

Within this framework, measures will be implemented to improve the use of arable land in rotation, protect cropland from soil erosion and degradation, enhance soil fertility, phase in appropriate crop rotation and zero-tillage technologies, establish comprehensive plant protection measures, develop seed multiplication farms as integrated complexes, and introduce advanced irrigation equipment and technologies. Implementation of the campaign is expected to fully utilize the agricultural sector’s potential resources, increase competitiveness by producing higher value-added products, and achieve tangible results aimed at ensuring a stable supply of safe food for the population and raw materials for industry, thereby generating measurable gains for the economy.

Under Atar-4, targets include expanding cropland by 200 thousand hectares, achieving 100 percent domestic supply of flour, and increasing industrially prepared animal feed by 200 thousand tons. To raise productivity in the crop sector, the plan also includes establishing meat and dairy clusters, adding 100 thousand tons of warehouse capacity, and building winter greenhouses. These goals and measures will play a key role in sustaining medium-term growth in output across agriculture and agro-processing.

Table 1.2. Objectives of the Atar-4 Sustainable Crop Development Campaign

Expected outcome		Unit of Measure	Baseline	Target 2028
Increase cropland area by 200 thousand ha		thousand ha	962.0	1,162.0
Increase animal feed production:	Expand sown area for feed crops by 105 thousand ha	thousand ha	94.9	200.0
	Increase animal feed output by 353 thousand tons	thousand tons	246.9	600.0
	Increase industrially prepared feed by 200 thousand tons	thousand tons	278.0	390.0
Domestic flour supply		percent	59.1	100.0
As part of establishing meat and dairy clusters, increase pedigree cattle by 200 thousand		number of clusters	-	15.0
Increase warehouse capacity by 100 thousand tons		thousand tons	355.0	455.0
Add 10 thousand ha of new or rehabilitated irrigated cropland		thousand ha	63.4	73.4
Plant shelterbelts totaling 20 million trees		km	3,557.0	10,000.0
Build 50 ha of winter greenhouses		ha	39.1	89.0

Source: Ministry of Food, Agriculture and Light Industry

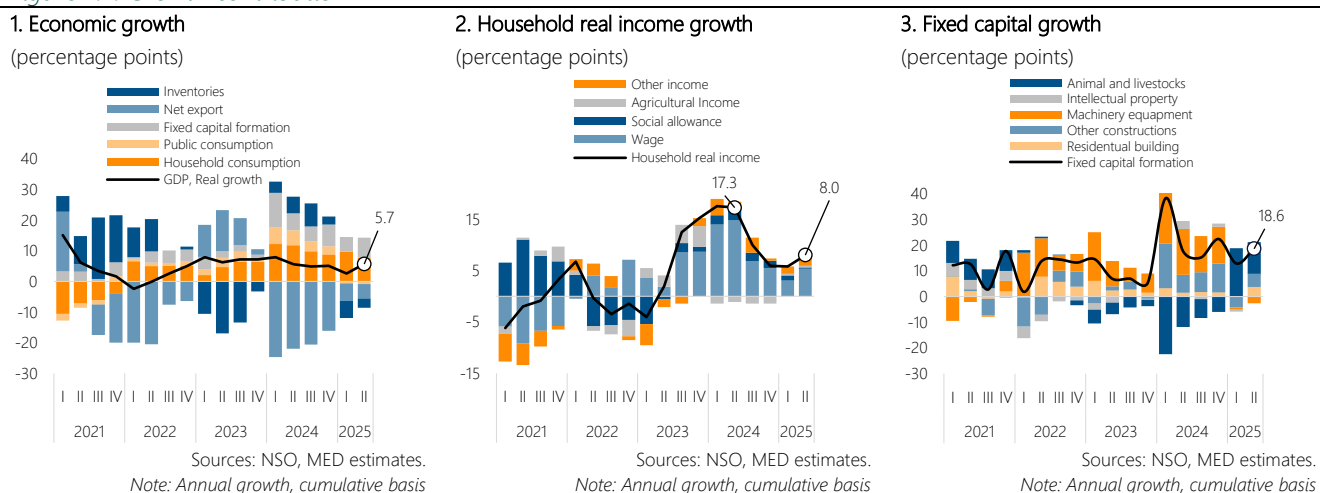
1.2. Aggregate demand

10. Both external and domestic demand have weakened. Growth estimated from expenditure side stood at 5.8 percent in the first half of 2025. Negative contribution of net exports was 22.0 percentage points in the first half of 2024. However, in this year, the adverse impact on overall growth eased to 4.7 percentage points. Moreover, although private consumption and investment were the main drivers of growth in 2024, their positive contributions moderated to 7.8 and 6.5 percentage points, respectively, in the first half of 2025.

As private consumption and investment slowed, and public consumption contracted, weak domestic demand led to a deceleration in imports of goods and services.

In terms of consumption type, food consumption had grown by an average of around 1.0 percent over last three years – surged by 11.6 percent in the first half of 2025. In contrast, nonfood goods and service consumption growth slowed from 22.1 percent in 2024 to 9.2 percent in the first half of 2025, indicating a weaker growth momentum. Particularly, notable increases were seen in dairy consumption that rose by 16.1 percent, and alcoholic beverage consumption surged by 45.1 percent. Conversely, substantial declines were estimated in clothing and footwear purchases, down by 19.4 percent. Then communications expenses fell by 17 percent, followed by 3.3 percent decrease in recreation and travel expenditure, and

Figure 1.2. Growth contribution



11. Although private consumption growth exceeded expectations at 9.9 percent, it is likely to slow down in 2025H2. Driven by wage increases, private consumption recorded a robust growth of 16.4 percent in the first half of 2024. Due to this base year effect, private consumption growth is expected to slow down. However, as of the first half of 2025, private consumption grew by 9.9 percent. This can likely be explained by both real income increases and 70.7 percent of households that have an average loan amount of MNT 20.3 million.⁵

0.9 percent decline in spending on hotel and dining activities. This shift in household consumption behavior toward cutting non-essential spending signals a potential further contraction in private consumption.

12. Household real income rose by 8.0 percent. Household real income, which showed a remarkable growth of 17.3 percent in the second quarter of 2024, increased by 8.0 percent in the second quarter of 2025 - 2.2 percentage points higher than growth recorded in previous quarter. Wage income has been the primary driver, which

⁵ Information from introduction of HSES the second quarter of 2025

contributed 5.4 percentage points to the household real income growth. The government has been increasing wages of public officials progressively, with focus to provide higher wage rises and better incentives for those working in rural areas. In result, average wage in public sector rose by 30.9 percent in 2023, by 33.3 percent in 2024. Following this changes, the average wage of the private sector also increased by approximately 23 percent in both 2023 and 2024. National average household nominal income reached MNT 3.0 million, rose by MNT 442 thousand compared to same period last year, and by MNT 134 thousand from previous quarter. Income growth was supported by stable inflation, along with a 0.5 percentage point year-on-year increase in the employment rate.

13. Rural household income growth has consistently exceeded the national average. As of 2024, out of a total of 997 thousand households, 475 thousand live in Ulaanbaatar, 216 thousand reside in other urban areas, and the remaining 306 thousand are located in rural areas. Average households nominal income in Soum center reached MNT 2.6 million, with real growth of 11.8 percent. Also, household income in countryside amounted to MNT 2.4 million and grew by 10.0 percent in real term. These growths exceeds both national average growth of 8 percent, and 6.3 percent average recorded in Ulaanbaatar. This regional income convergence was largely attributed to a 40 percent wage hike in Soum centers, effective from April 1, 2024. For instance, wage increases accounted for 10.2 percentage points of household income growth in Soum centers and 5.4 percentage points among households in countryside. While growth in agricultural income contributed 1.3 percentage

points to household income growth in the countryside.

14. Gross capital formation growth decelerated to 7.9 percent. Capital formation reflects creation or depletion in fixed assets and inventories within the economy during the reporting period. In the first half of 2025, fixed asset increased by 18.6 percent, while inventory shrunk by 33.2 percent. In result, gross fixed capital formation growth slowed to 7.9 percent. Fixed asset growth was primarily driven by a MNT 1.1 trillion increase in biological assets, 20.5 percent increase in residence building and 19.7 percent increase in other constructions. However, machinery and equipment stock decreased by 4.3% due to slower mining activities.

By the first half of 2025, inventory stood at MNT 1.5 trillion in nominal terms, but contracted by 33.2 percent in real terms. The main contributor to this decline was a MNT 0.4 trillion reduction in copper stock, driven by intensified exports from Oyu Tolgoi.

15. Slower goods imports and stronger service exports eased the negative effect of net exports on growth. Net exports refer to the difference between revenue earned from exports and payment made for imports. Goods export volume declined by 10.5 percent, while service exports increased by 28.3 percent, which helped to ease overall exports contraction to 4.5 percent. Moreover, goods import volume contracted by 0.6 percent compared to same period of previous year, and growth in services imports slowed to 1.5 percent. As a result, negative contribution of net export to overall growth narrowed to -4.7 percentage points.

1.3. Labor Market and Enterprises

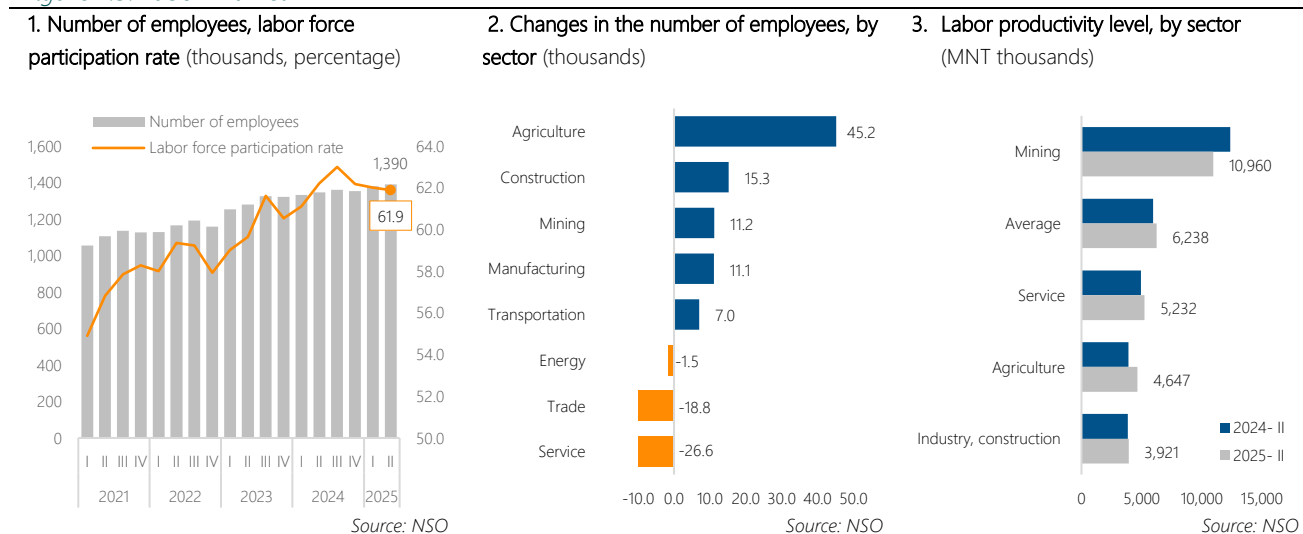
16. Growth in the agricultural sector supported the increase in total employment. In the first half of 2025, the number of employees increased by 43 thousand from the same period of the previous year, reaching 1 million 390 thousand. Adjusted for seasonal variations⁶, the number of employees rose by 59 thousand compared to the same period last year. This growth was mainly driven by the recovery in the agricultural sector, with the number of employees rising by 45 thousand compared to the same period of the previous year. Additionally, employment increased by 15 thousand in the construction sector and by 11 thousand in both the mining and manufacturing sectors. However, the number of employees declined by 19 thousand in the trade sector and by 27 thousand in the services sector, which dampened the growth momentum.

By region, the number of employees in Ulaanbaatar rose by 24 thousand from the same period of the previous year to 642 thousand, while employment in rural areas increased by 19 thousand to 749 thousand. Specifically, employment grew by 12 thousand in the Central region, 5 thousand in the Eastern region, 1 thousand in both the Western region, and by 230 people in the Khangai region.

17. The decline in the number of unemployed persons moderated the pace of labor force expansion. The labor force reached 1 million 456 thousand, representing an increase of 27 thousand persons, or 2.0 percent, compared to the corresponding period of the previous year. This growth was predominantly attributable to an increase in the number of employed persons, while the number of unemployed persons declined by 16 thousand, or 20.0 percent, to 66 thousand, thereby dampening the overall growth momentum of the labor force. As a result, the unemployment rate fell to 4.5 percent, marking a decrease of 1.2 percentage points from the same period of the previous year. The labor force participation rate decreased by 0.3 percentage points year-on-year, standing at 61.9 percent, reflecting the slower pace of labor force growth.

At the same time, the labor reserve, defined as the total number of underemployed persons, unemployed persons, and the potential labor force who are willing to work but not currently engaged for specific reasons, declined to 6.2 percent of the working-age population, down by 1.8 percentage points compared to the same period of previous

Figure 1.3. Labor market



⁶ Seasonal adjustment is a statistical method used to eliminate recurring seasonal patterns from time series data. These patterns often result from factors such as weather changes, holidays, school

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

year. This reduction reflects stronger participation in the labor market, higher levels of employment, and more efficient utilization of labor resources.

18. The number of unemployed persons decreased, while the population outside the labor force expanded. The population outside the labor force reached 897 thousand, an increase of 28 thousand persons, or 3.0 percent, compared to the same period of previous year. By reason of inactivity, the number of persons who were studying, retired, elderly, disabled, pregnant, or caring for children increased by 45.6 thousand, whereas the number of persons with no profession or work experience, recent graduates, those not interested in working, those affected by organizational dissolution, or those unable to find employment declined by 9 thousand compared to the same period of the previous year.

Within the population outside the labor force, the number of persons who expressed an interest in working but were unable to do so decreased by 4 thousand, or 13.0 percent, relative to the same period of the previous year. In contrast, the broader population outside the labor force increased by 32 thousand, or 4.0 percent, underscoring the divergent dynamics within this group. and labor force participation has improved.

19. The average salary in high productivity sectors decreased. In the second quarter of 2025, the average monthly salary amounted to 2 million 727 thousand MNT, an increase of 263 thousand MNT compared to the same period of the previous year, while the median salary reached 2 million 356 thousand MNT, up by 329 thousand MNT year-on-year. However the real average salary stood at 1 million 916 thousand MNT, reflecting an increase of 149 thousand tugriks from the corresponding period of the previous year.

By sector, the highest increase was observed in the trade sector, where the average salary rose by 192 thousand MNT to 2 million 120 thousand MNT. Salaries in the manufacturing and agricultural

sectors also increased, reaching 2 million 356 thousand and 2 million 32 thousand MNT, respectively, representing growth of 130 thousand and 104 thousand MNT year-on-year. In contrast, the average salary in high-productivity sectors declined. In the mining sector, reduced production of certain raw materials constrained growth, and the average salary fell to 4 million 583 thousand MNT, a decrease of 519 thousand MNT or 10.0 percent from the previous year. Similarly, in the electricity and water supply sector, the average salary declined by 427 thousand MNT, or 12.0 percent, to 3 million 370 thousand MNT.

20. Despite the increase in the national average productivity level, the slowdown in the mining sector, which remains the most productive industry, constrained the overall growth rate. In the second quarter of 2025, labor productivity reached 6 million 238 thousand MNT, an increase of 302 thousand MNT or 5.1 percent compared to the same period of the previous year. By sector, the highest growth was recorded in the agricultural sector, where productivity increased by 745 thousand MNT, or 19.0 percent, year-on-year. The service sector also contributed positively, with productivity increasing by 368 thousand MNT.

However, the productivity level in the mining sector declined by 1 million 426 thousand MNT, or 11.5 percent, compared to the same period of the previous year, falling to 10 million 960 thousand MNT. This contraction in the mining sector significantly moderated the pace of national productivity growth.

21. The number of newly established enterprises has increased. As of the second quarter of 2025, the total number of enterprises registered in the Business Register reached 270.8 thousand, an increase of 25.2 thousand (10.3%) compared to the same period of the previous year. Of this growth, 17.2 thousand were newly established enterprises that have not yet started operations, while 8.6 thousand were active enterprises. By economic sector, 6.2 percentage points of the total 10.3%

growth came from the trade and service sectors, and 2.2 percentage points from the agriculture sector. The remaining 1.9 percentage points were contributed by the manufacturing, construction, and transport sectors (Figure 1.4).

22. The trade and services sectors accounted for the largest share of growth in the number of enterprises. By sector, the number of newly established enterprises in trade and services increased by 10.1 thousand, and the number of active enterprises rose by 5.5 thousand, accounting for the main portion of the total growth in enterprises. Specifically, the number of enterprises engaged in wholesale and retail trade increased by 8.3 thousand, those in the professional and scientific sectors by 1.4 thousand, those in public administration and defense activities by 1.3 thousand, and those in other service activities by 2 thousand, forming the largest shares of the overall increase.

23. The number of cooperatives in the agricultural sector has increased due to the impact of the “New Cooperative Movement”. By Government Resolution No. 166 of 2024 on launching the “New Cooperative Movement,” it was decided to provide concessional investment loans to herders who are members of cooperatives. In connection with this, as of the second quarter of 2025, the number of enterprises registered in the agriculture sector increased by 42% compared to the same period of the previous year — a growth rate five times higher than the 10-year average for the same quarter (8.3%).

24. The number of active enterprises increased by 24 in the mining sector and by 462 in the transport sector, while the number of newly established enterprises rose by 128 in mining and 885 in transport. However, due to the slowdown in export growth, the increase in the number of operating enterprises in the mining and transport sectors did not reach the average growth rate of previous years. Specifically, the number of operating enterprises in mining grew by 2.0%, which is 4.3

percentage points lower than the 10-year average of 6.3% for the same quarter. Similarly, the number of enterprises operating in transport increased by 12.3%, which is 4.8 percentage points lower than the 10-year average of 17.1% for the same quarter.

25. Small enterprises operating in trade and services have increased. Of the 111.7 thousand active enterprises registered in the Business Register, 86.5% — or 96.7 thousand enterprises — have 1–9 employees. The number of small enterprises with 1–9 employees increased by 8.0 thousand compared to the same period of the previous year, 5.3 thousand of which operate in the trade and service sectors. In fact, 75.7% of all enterprises with 1–9 employees — or 73.2 thousand enterprises — are engaged in trade and service activities. Meanwhile, the number of enterprises with 10–19 employees reached 6.9 thousand, an increase of 559 enterprises year-on-year, mainly driven by growth in the agriculture, service, and manufacturing sectors. Additionally, 46 enterprises with 20–49 employees and 15 enterprises with 50 or more employees started operations during the period, the service sector accounting for most of this increase (Table 1.3).

Table 1.3. Change in the number of enterprises operating by employee count

Number of employees	Number of enterprises	Percentage change	Note
1-9	96.7	9.0%	1/3 of enterprise growth came from services, 1/3 from trade, and 1.4 pp from agriculture.
10-19	6.9	8.8%	2/3 of the growth was in agriculture, 1.2 pp in services, and 1.0 pp in manufacturing.
20-49	5.2	0.9%	Of the +46 enterprises, 54 were in services, 4 in agriculture, and 2 in transport, while numbers fell in trade (-7), manufacturing (-3), construction (-3), and mining (-1).
50+	2.9	0.5%	Of the +15 enterprises, 22 were in services and 3 in transport, with declines in trade (-7), construction (-2), and agriculture (-1).
Total	111.7	8.3%	

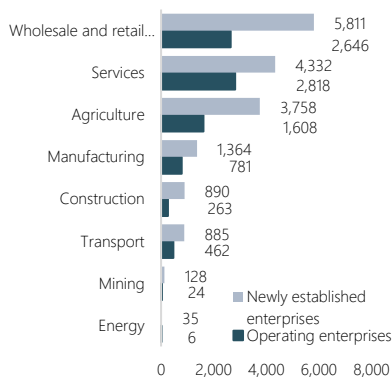
26. Real sales revenue of enterprises has declined.

As of the second quarter of 2025, the real sales revenue of enterprises decreased by 15.0% compared to the same period of the previous year, reaching 18.9 trillion MNT. By sector, the real sales revenue of enterprises declined in all sectors except

services. Specifically, sales revenue in wholesale and retail trade decreased by 57%, in mining by 16%, and in construction by 38%. In contrast, the service sector’s revenue increased significantly, rising by 88%.

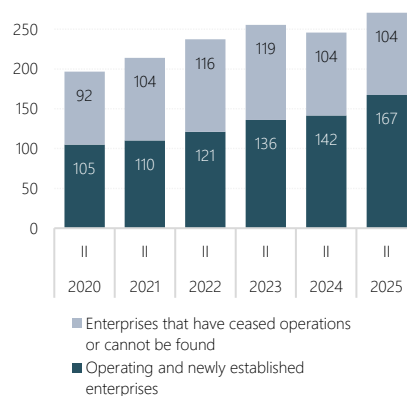
Figure 1.4 Enterprises

1. The change by sector in the number of enterprises operating and newly established enterprises
(the number of enterprises)



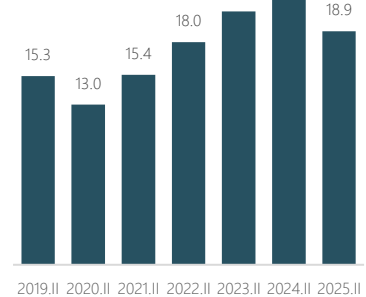
Source: NSO

2. Total enterprises
(thousand)



Source: NSO

3. Sales revenue of enterprises in real value
(trillion MNT, 2015=100)



Source: General Authority of Taxation

Box 2. Consumer confidence index

In the second quarter of 2025, consumers' expectations for the next 6 months have worsened, and the Consumer Confidence Index decreased by 9.8 points year-on-year to 98.9.

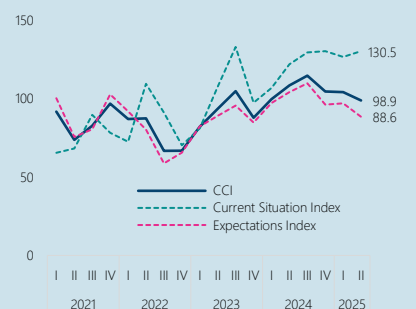
The Consumer Confidence Index (CCI), calculated by the National Research and Consulting Center (NRCC Co. Ltd) and the Japan-Mongolia Center for Human Resource Development, measures consumers' optimism about the general economic condition and household financial situation. The index is calculated based 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 98.9 in the second quarter of 2025. Table 1.4 presents the index's component breakdown.

1. Current Situation Index: *The evaluation of job availability improved, leading to an 8.3-point increase in the Current Situation Index compared to the same period last year.* This index measures citizens' perceptions of the current economic situation based on business conditions and job availability. In the second quarter of 2025, the Current Situation Index reached 130.5, with the increase largely driven by a 5-point rise in the share of respondents rating job availability as "good" compared to the same period of the previous year. Meanwhile, the share of respondents assessing business conditions as "good" declined by 3 points.

2. Expectations Index: *Consumers' expectations for the next six months have worsened, resulting in a 15.7-point decrease in the Expectations Index compared to the same period last year.* The Expectations index measures citizens' outlook on near-term economic conditions based on business conditions, job availability, and income expectations. In the second quarter of 2025, the Expectations Index declined to 88.6, due to a decrease in the share of consumers expecting business conditions to be "good" or "normal" by 4-points each compared to the same period last year. Consumer assessments of job availability and income expectations also weakened. The share of respondents perceiving job availability as "good" declined by 8 percentage points, while those assessing conditions as "poor" increased by 2 points. Likewise, the proportion of consumers expecting their income to improve fell by 4 points, whereas the shares anticipating income to remain "normal" and to deteriorate rose by 2 and 1 points, respectively, compared with a year earlier.

Figure 1.5 Consumer Confidence Index, by quarter (2018=100)



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

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

Table 1.4 Consumer Price Index Components

	2024.II	2025.II	Change
CURRENT SITUATION INDEX ▲			
<i>Business conditions</i>			
Good	13	10	-3 ▼
Normal	37	43	6 ▲
Bad	49	47	-2 ▼
<i>Job availability ▲</i>			
Good	31	36	5 ▲
Normal	29	34	5 ▲
Bad	37	29	-8 ▼
EXPECTATIONS INDEX ▼			
<i>Business conditions ▼</i>			
Good	19	15	-4 ▼
Normal	60	56	-4 ▼
Bad	19	25	6 ▲
<i>Job availability ▼</i>			
Good	31	23	-8 ▼
Normal	49	55	6 ▲
Bad	17	19	2 ▲
<i>Income expectations ▼</i>			
Good	27	23	-4 ▼
Normal	55	57	2 ▲
Bad	17	18	1 ▲

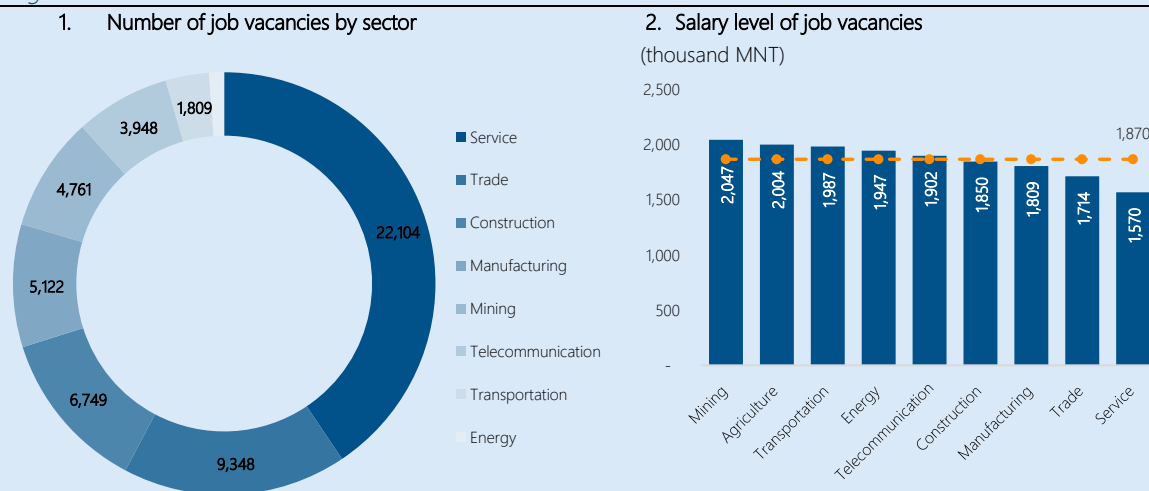
Source: National Research and Consulting Center (NRCC) Co. Ltd

Box 3. Labor market demand – job vacancies

In the second quarter of 2025, a total of 54.5 thousand job advertisements were published on some labor market websites. Of these, the majority, 34.8 thousand, were on the zangia.mn website, 19.4 thousand on the unegui.mn website, and 300 jobs were published on the ejob.gov.mn portal, an electronic labor exchange.

The average salary for all jobs was 1.87 million tugriks, and by sector, the mining and agricultural sectors had the highest average salaries. Specifically, the average salary in the mining sector was 2.05 million tugriks, and in the agricultural sector 2.0 million tugriks. However, the average salary in the trade and service sectors, where the most job advertisements were published, was relatively low, at 1.71 million and 1.57 million tugriks, respectively.

Figure 1.6. Labor market demand



Source: Labor market portals

Zangia.mn accounted for 63 percent of total job postings, with an average advertised salary of 2.45 million MNT, which is 580 thousand MNT higher than the national average. By sector, the trade and services sector recorded the largest number of job postings at 18 thousand, followed by the mining and processing industry with 8 thousand postings. Meanwhile, the agriculture sector, where employment is showing signs of recovery, had 137 job postings.

In addition, 22 thousand job postings were published on Zangia.mn during June and July, representing a 12 percent increase compared to the same period of the previous year. Sectoral analysis shows that job postings increased in the trade, construction, and information and communications sectors, reflecting rising labor demand. In contrast, job postings in the services sector, which traditionally accounts for the largest share, declined over the same period.

On the other hand, Unegui.mn hosted a total of 19.4 thousand job postings, of which 69 percent were concentrated in the trade and services sector. There were no job postings in the agriculture and electricity sectors. The average advertised salary on this platform was 1.16 million MNT, which is 714 thousand MNT lower than the national average, likely due to the site's focus on part-time and temporary employment opportunities.

1.4. Business cycle

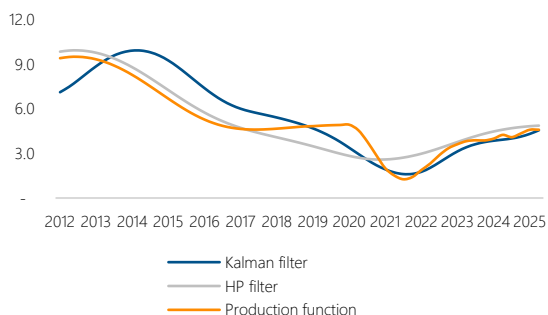
27. Fixed capital accumulation continued to be the key contributor to potential output growth. Favorable spring weather conditions led to lower-than-usual losses of adult animals and higher survival rates of young animals, resulting in a notable increase in biological assets. Consequently, fixed capital accumulation rose by 18.6 percent year-on-year, contributing to an estimated potential output growth of around 5–6 percent. In addition, continued investment in residential and non-residential construction—including hospitals, schools, and kindergartens—further supported capital formation. Labor

market conditions remained robust, providing additional support to potential output growth.

28. The industrial sector⁷ showed signs of a firm recovery, while activity in the services sector continued to strengthen, bringing overall output broadly in line with its potential. Mining and quarrying, together with accelerated construction activity in the second quarter of 2025 relative to the previous quarter, supported manufacturing growth. Consequently, the output gap turned slightly positive, with overall output estimated to exceed potential by about 0.2 percent.

Figure 1.7. Output gap

1. Potential GDP growth (percentage)

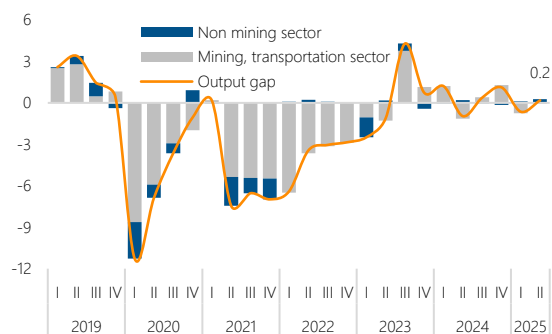


Source: Estimation of the MED

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.

⁷ Industrial sector includes mining and quarrying, manufacturing, electricity, thermal energy and water supply, sewerage

CHAPTER II

FISCAL SECTOR

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

2. FISCAL SECTOR

OVERVIEW

Due to the decline in coal export revenues, structural revenue amounted to MNT 13.2 trillion in the first half of 2025, representing a decrease of MNT 1.0 trillion, or 6.9 percent, compared to the same period last year. As a result, the structural budget balance recorded a deficit of MNT 758.0 billion. On the expenditure side, current expenditures increased, driven by higher civil servant salaries and pension payments from the Social Insurance Fund, which were adjusted in line with inflation. Total budget expenditures reached MNT 13.9 trillion, marking a 8.2 percent increase year-over-year. The government's outstanding debt, expressed in nominal terms, reached MNT 35.5 trillion—an increase of MNT 5.3 trillion, or 17.5 percent, compared to the same period of the previous year. Furthermore, significant external debt repayments are anticipated over the medium term, with principal payments projected at USD 391.8 million in 2025, USD 978 million in 2026, USD 918.5 million in 2027, and USD 1,078.5 million in 2028, underscoring the need for sound debt management in the coming years.

2.1. Budget performance

29. The structural budget balance recorded a deficit of MNT 758.0 billion. In the first half of 2025, total consolidated budget revenue amounted to MNT 14.0 trillion, representing a year-on-year decrease of MNT 0.9 trillion, or 6.1 percent. Meanwhile, consolidated budget expenditures reached MNT 13.9 trillion, reflecting an 8.2 percent year-on-year increase. As a result, the consolidated budget balance recorded a deficit of MNT 59.4 billion, while the structural balance stood at a deficit of MNT 758.0 billion.

30. The decline in coal prices led to a reduction in budget revenue from the mining sector. In the first half of 2025, structural revenue amounted to MNT 13.2 trillion, a decrease of MNT 1.0 trillion or 6.9 percent compared to the same period last year. The drop in global coal prices was the main factor behind this decrease. Specifically, the average border price of exported coal reached USD 70.0 per ton in the first half of 2025, 40 percent lower year-on-year, which reduced the mining sector's contribution to budget revenue.

For instance, in the first half of 2025, corporate income tax revenue amounted to MNT 2,434.5 billion, a decrease of MNT 672.7 billion, or 21.7 percent, compared to the same period last year. Mineral resource royalty revenue totalled MNT 1,441.5 billion, down by MNT 1,352.1 billion, or 48.4 percent year-on-year. These declines were the main factors contributing to the overall reduction in budget revenue. Approximately 30 percent of Mongolia's budget revenue is generated from the mining sector, making fiscal revenue performance highly vulnerable to external conditions and commodity price fluctuations.

In the amendment of the 2026 Fiscal Framework Statement, structural revenue is projected at MNT 31.6 trillion, equivalent to 30.9 percent of GDP, which is MNT 1.9 trillion lower than the originally approved amount. To reduce the economy's vulnerability resulting from excessive dependence on the public sector, the Government plans to gradually lower structural revenue as a share of GDP to 29.3 percent in 2027 and 28.2 percent in 2028, thereby creating greater space for private sector-led development.

31. The decision to increase the minimum wage led to higher revenues from personal income tax and social insurance. According to Resolution No. 03 of the National Tripartite Committee on Labor and Social Partnership dated October 7, 2024, the national minimum wage was revised to MNT 4,715 per hour, or MNT 792,000 per month beginning April 1, 2025. Under the previous regulation, an minimum monthly wage of MNT 660,000 required MNT 89,100 in social insurance contributions. Following the new decision, the corresponding social insurance contribution will increase to MNT 106,300 per month.

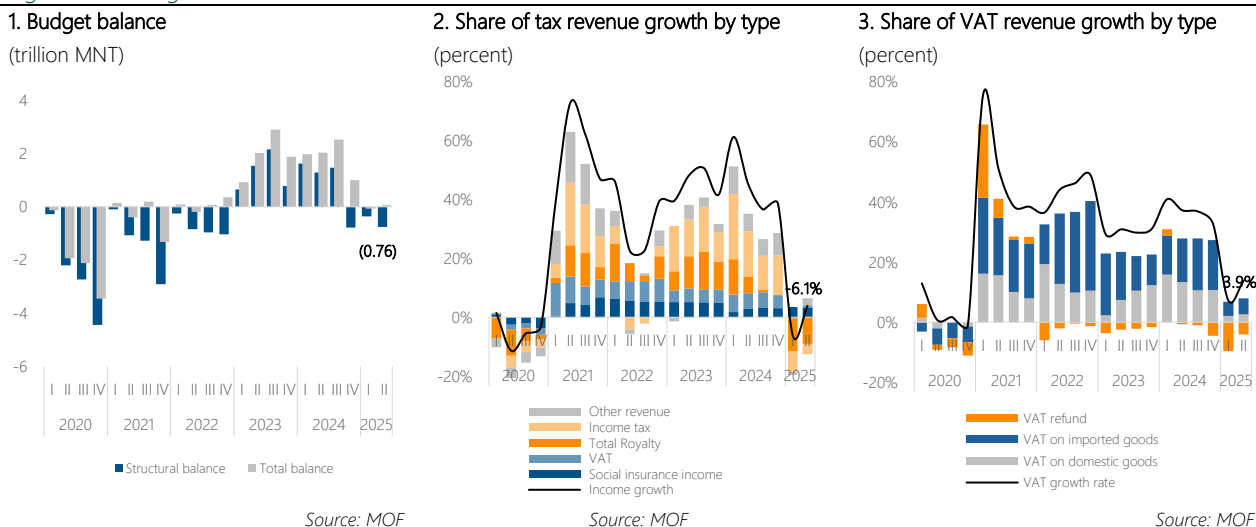
In the first half of 2025, the nominal average wage reached MNT 2.7 million, representing an 11 percent year-on-year increase, while the number of employed individuals grew by 43,000, reaching 1.39 million. This expansion in employment contributed to the growth of labor-based tax revenues. As a result, social insurance revenues totaled MNT 2.6 trillion, reflecting a 22.0 percent increase compared to the same period of the previous year. Furthermore, sustained growth in nominal wages positively affected personal income tax revenues, which rose to MNT 1,394.8 billion, an 13.2 percent year-on-year increase.

32. Growth in household consumption and the expansion of activity in the trade and services sector had a positive impact on value-added tax (VAT) revenue. In the first half of 2025, VAT revenue, a key indicator of domestic demand and market purchasing power, amounted to MNT 2.9 trillion, reflecting a year-on-year increase of 3.9 percent. Specially, VAT revenue from domestic goods increased by MNT 72.4 billion or 6.0 percent, and VAT revenue from imported goods rose by MNT 149.1 billion or 8.3 percent compared to the same period last year. This growth was supported by a higher household income, which boosted household consumption, as well as a rise in the number of enterprises operating in the trade and services sector.

tax revenue totaled MNT 553.0 billion, up by MNT 37.6 billion or 7.3 percent year-on-year. This increase was mainly driven by the increase in excise tax collections from passenger vehicles, which rose by MNT 42.3 billion or a 16.1 percent. Specifically, the capital city governor’s Order No. A/1348, which sets new criteria for issuing vehicle registration plates in Ulaanbaatar, is scheduled to take effect on June 1, 2025. Anticipation of this regulation led to a rise in passenger vehicle demand, resulting in the import of 62,933 passenger cars in the first half of 2025, a 9.7 percent increase compared to the same period last year. This surge in imports significant positive impact on excise tax revenues from passenger vehicles.

33. Increase in excise tax revenue driven by the higher imports of passenger vehicles. Excise

Figure 2.1. Budget revenue



34. Current budget expenditures expanded due to the increase in salaries of civil servants and pensions in line with the inflation rate. In the first half of 2025, current expenditures were the main driver of overall spending growth, reached MNT 12.2 trillion, representing an increase of MNT 1.8 trillion, or 17.4 percent, compared to the same period of the previous year. Legally mandated expenditures, including civil servant salaries, pensions, social benefits, child support, and interest payments,

accounted for 67.4 percent of current spending. Specifically, in 2025 the Government of Mongolia raised civil servant salaries and revised the Social Insurance Fund’s pension adjustment formula, resulting in a 6 percent increase in both salaries and pensions from January, which was the primary driver of current expenditures growth.

35. The growth in social welfare expenditures was primarily driven by the doubling of cash allowances provided to Honored Mothers.

Under the State Budget Law for the fiscal year 2025, MNT 2.5 trillion was allocated for social welfare pensions and benefits. As of the first half of 2025, execution amounted to MNT 1.2 trillion, representing an increase of 7.1 percent compared to the same period of the previous year. This growth was mainly driven by the increase in social welfare pensions and the doubling of cash benefits granted to Honored Mothers who gave birth to four or more children. In accordance with Government Resolution No. 255 of 2024, the cash allowances granted to Honored Mothers were doubled effective January 1, 2025, resulting in total expenditures of MNT 65.1 billion in the first half of 2025, an increase of MNT 33.3 billion, or 40.1 percent, compared to the same period of the previous year. Furthermore, under Government Resolution No. 247 of 2024, the amount of social welfare pensions was increased, bringing total payments to MNT 137.8 billion, an increase of MNT 21.7 billion, or 18.7 percent, year-on-year. On average, social welfare pensions and benefits accounted for around 12 percent of current budget expenditures during the 2020–2024 period, but this share declined to 10 percent in the second quarter of 2025. Going forward, to ensure fiscal sustainability, it is essential to revisit the social protection system to minimize overlaps and enhance the targeting of programs.

36. The Government’s interest payment burden increased compared to the same period last year. Total interest payments reached MNT 741.2 billion in the first half of 2025, representing a year-on-year increase of MNT 146.1 billion, or 24.5 percent. Specifically, MNT 570.1 billion was paid for interest payments on foreign loans, and MNT 171.1 billion was paid for domestic loans. Under the State Budget Law for the fiscal year 2025, a total of MNT 1.3 trillion (equivalent to 4.1 percent of total budget expenditures) was allocated for

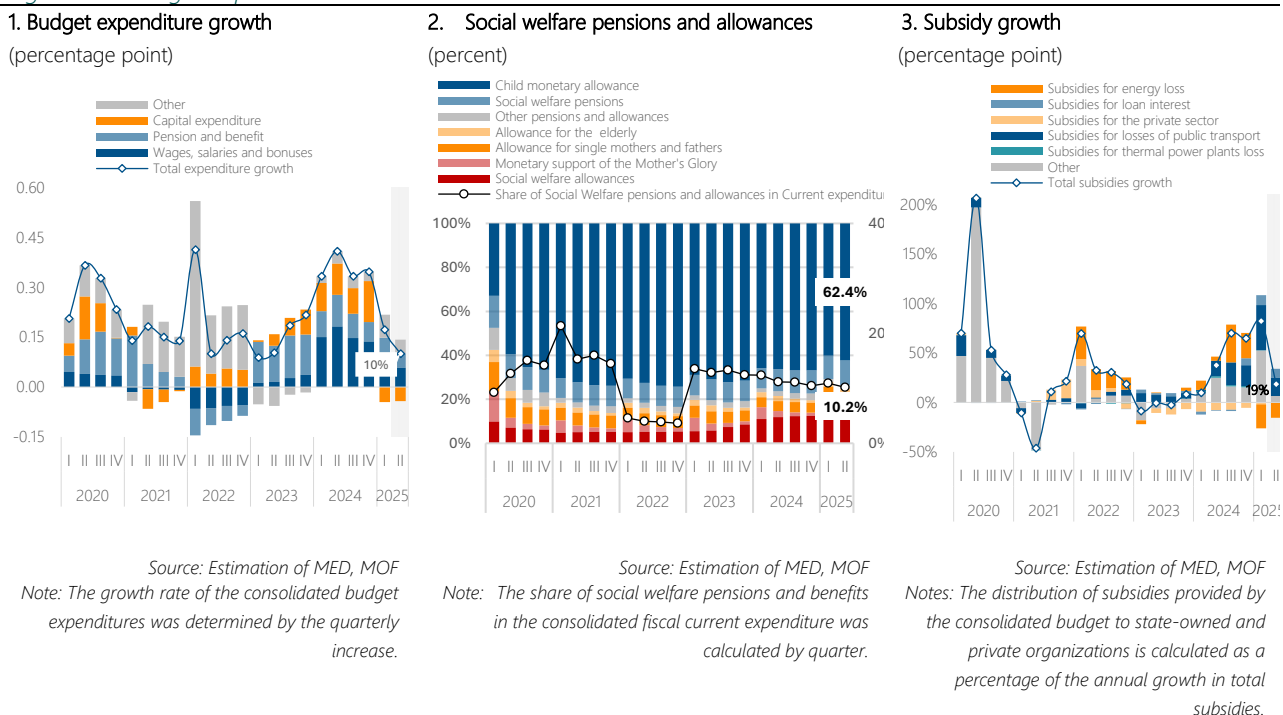
debt service payments, of which 57.3 percent was executed in the first half of 2025. The Government’s interest payment accounted for 4.6 percent of total expenditures and 5.7 percent of current expenditures in the first half of 2024, while these shares increased to 5.3 percent and 6.1 percent, respectively, during the same period in 2025. This indicates a higher interest payment burden compared to the previous year. Over the past decade, interest payments have averaged 7.8 percent of total budget expenditures, and 6.2 percent over the past five years, suggesting a gradual decline in the relative burden of interest costs in the budget.

37. The majority of state budget subsidies were allocated to cover the operating deficits of public transportation. As of the first half of 2025, the consolidated budget provided a total of MNT 434.7 billion in subsidies, an increase of 18.5 percent compared to the same period of the previous year. This increase was mainly driven by the amount of subsidies provided to the private sector, which reached MNT 377.5 billion, an increase of 37.0 percent year-on-year. Specifically, the amount of subsidies provided for loan interest and losses of public transport organizations accounted for 76.5 percent of the total subsidies, an increase of 18.0 percentage points compared to the same period of the previous year. Subsidies for public transport deficits amounted to MNT 178.6 billion, 1.6 times increased from the same period last year, and loan interest subsidies amounted to MNT 37.3 billion, an increase of 11.5 times. Although the new regulation, which sets the fare for public transport at MNT 1,000 per day and allows four unlimited trips per day, has been in effect since January 2025, budgetary subsidies to cover public transport losses have continued to rise. Therefore, it is necessary to conduct a comprehensive study of the actual costs in

the public transport sector, strengthen policy, planning, and management practices, and ensure transparent public reporting on the

performance of enterprises receiving any form of budgetary subsidy.

Figure 2.2. Budget expenditures



38. Construction and equipment performance has declined year-on-year. The consolidated budget investment reached MNT 1.8 trillion in the first half of 2025, a decrease of 23.6 percent compared to the same period of the previous year. By economic category, 70.1 percent of total investment expenditure was spent on buildings, 17.6 percent on other assets, 7.8 percent on equipment, and 4.4 percent on repairs. Construction, and equipment expenditures decreased by 12.2 percent, and 44.9 percent, respectively, compared to the same period of the previous year, while repairs expenditure increased by 2.2 percent. In 2025, 623 projects and measures with a budgeted cost of MNT 9.4 trillion were planned to be implemented under the state budget's capital investment program with funding of MNT 3.2 trillion. As of the first half of 2025, only 13.0 percent of the allocated funding had been executed. While for the consolidated budget capital investment expenditure were planned for MNT 3.2 trillion for the first half of 2025, of

which 55.3 percent was executed. Going forward, it is essential to streamline the procurement of goods, works, and services by central and local government entities, strengthen oversight and accountability at all levels, and establish a system that avoids additional budgetary pressure by increasing initial project costs.

39. Under the Austerity Law, funding for certain public investment projects and measures that had not yet entered into contractual agreements was reclassified as fiscal savings. To ensure the implementation of the Austerity Law, and in accordance with Article 13 of the Law, the Government approved a resolution titled "Decision to account for Fiscal Austerity" at its meeting on June 20, 2025. Under this resolution, financing for projects that had not entered into contractual agreements or completed procurement procedures by May 31, 2025, was reclassified as fiscal savings and withheld from further allocation. Under the state budget's capital investment program for

2025, a total of 110 new projects and measures were approved, including 68 projects related to major repairs, equipment, feasibility studies, and design works, and 42 projects in the construction and infrastructure sectors. Pursuant to Government Resolution No. 233 of 2024, 79 percent of the procurement activities for these projects were administered by the Public Procurement Agency, while 21 percent were managed by budget governors. As of May 31, 2025, 76.7 percent of all projects had entered into contractual agreements, while financing of MNT 535.9 billion for projects without contracts was reclassified as fiscal savings.

Additionally, the State Budget Law for the fiscal year 2025 was amended to include MNT 41.8 billion for preparations related to the COP-17 ministerial meeting and MNT 35.5 billion for restoration and preparatory works following the accident at “Thermal Power Plant-3” LLC, totaling MNT 77.3 billion in additional capital investment. Following these amendments, the State Budget Law for the fiscal year 2025 allocates MNT 3.0 trillion in funding for 612 projects and measures with a total budgeted cost of MNT 9.0 trillion.

2.2. Fiscal policy

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

Figure 2.3 shows the impact of fiscal policy on the budget balance by fiscal stance, the impact of the economic cycle independent of fiscal policy by automatic stabilizers, and the impact of debt service payments by interest payment. In the second quarter of 2025, the fiscal balance had a deficit of 1.1 percent of potential GDP, a positive impact from the

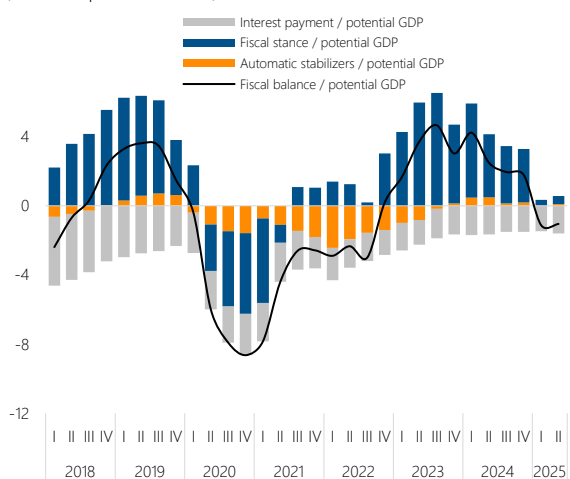
fiscal stance of 0.4 percentage points and the automatic stabilizer of 0.1 percentage points, and a negative impact from interest expenditure of 1.6 percentage points, making it the main cause of the budget deficit. In addition, the burden of debt service payments on the fiscal balance is high.

41. The impact of automatic stabilizers on the fiscal policy is low due to weak economic base activity. Gross domestic product remained at potential levels in the second quarter of 2025, supported mainly by sustained growth in the agricultural sector. But the slowdown in mining and transportation activity compared to the last year negatively impacted overall economic output growth. As a result, the impact of automatic stabilizers independent of fiscal policy reached MNT 22.2 billion or 0.1 percentage points in the second quarter of 2025, a decrease compared to the same period of the previous year.

Figure 2.3. Fiscal balance and fiscal stance

1. Fiscal balance

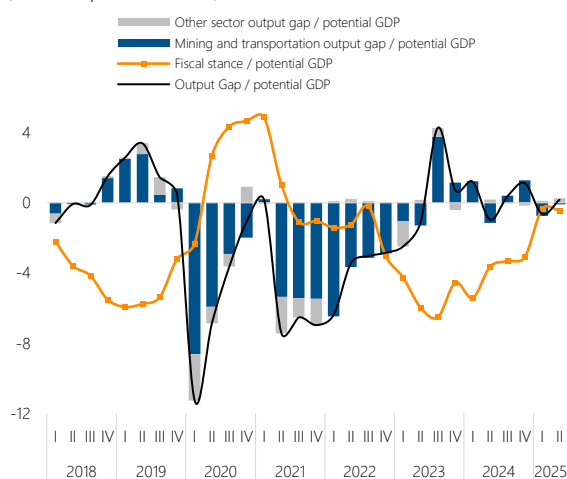
(share of potential GDP)



Source: Estimation of MED, MOF

2. Fiscal stance

(share of potential GDP)



Source: Estimation of MED, MOF

2.3. Government debt sustainability

42. Government Debt Expanded for the five consecutive quarters.

The government debt has increased for five consecutive quarters since the first quarter of 2024. As of the first half of 2025, government debt reached MNT 35.5 trillion, reflecting a year-on-year increase of MNT 5.3 trillion, or 17.5 percent. The increase in debt was driven by a rise in foreign debt by 9.5 percentage points, domestic debt by 8.0 percentage points. The government debt to GDP ratio reached 39.5 percent in the first half of 2025, reflecting a 1.0 percentage point increase compared to the same period of the previous year.

43. The government's external debt repayments are expected to remain high during 2026–2028.

As of the first half of 2025, the government's outstanding external debt reached MNT 32.2 trillion, an increase of MNT 2.9 trillion, or 9.8 percent year-on-year. This growth was mainly driven by foreign loan disbursements and exchange rate fluctuations. Furthermore, significant external debt repayments are anticipated over the medium term, with principal payments projected at USD 391.8 million in 2025, USD 978 million in 2026, USD 918.5 million in 2027, and USD 1,078.5 million in 2028. From 2029 onward, the repayment burden is projected to ease, with external debt repayments declining to USD 760.4 million. Although the government's external debt burden has been steadily declining since 2021, it is projected to rise again from 2026 onward underscoring the need for sound debt management in the coming years, especially strengthening foreign exchange reserves, mitigating exchange rate fluctuation risks, and ensuring that external borrowing is directed toward economically beneficial projects and programs.

Table 2.1. Total external debt repayment

	2025	2026	2027	2028	2029
Foreign securities		578	500	650	350
Nomad	-	578	-	-	-
Century I- 2027	-	-	500	-	-
Century II-2028	-	-	-	650	-
Century III-2029	-	-	-	-	350
Foreign loan	392	400	419	429	410
Multilateral	231	239	254	266	243
Bilateral	161	161	165	163	167
TOTAL (million \$)	392	978	919	1079	760

44. Domestic government securities market is recovering.

Since October 2017, the government temporarily stopped the issuance of open market operations, resulting in the outstanding amount of domestic securities decreased by 48.5 times and reached MNT 96.8 billion in the third quarter of 2024. In November 2024, in accordance with Article 6 of the State Budget Law for the fiscal year 2024, the government issued MNT 300 billion worth of securities to the Social Insurance Fund. Furthermore, to support the domestic market, establish a benchmark interest rate for tugrik-denominated bonds, and enhance market depth, the government resumed open issuance of domestic securities on the primary market on April 16, 2025. As a result, the outstanding amount of the domestic securities reached MNT 562.8 billion as of the first half of 2025. The rise in domestic government debt was largely driven by the Capital City's issuance of new short-term bonds (1–5 years) totaling MNT 2.6 trillion in the fourth quarter of 2024.

45. The government-guaranteed debt decreased by 30.8 percent, and reached MNT 176.2 billion compared to the same period last year.

This represents the outstanding loan under the government guarantee issued to the Development Bank of Mongolia for the Choibalsan Thermal Power Plant expansion project.

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

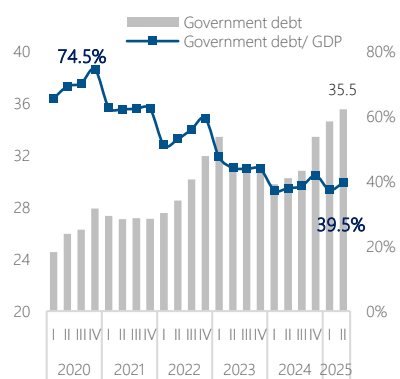
3.4 percentage points, with real GDP growth contributing a positive effect of 2.1 percentage points, while exchange rate depreciation exerted a negative effect of 1.1 percentage points, and the primary balance deficit accounting for 2.5 percentage points of this decline. Going forward, the sustainability of government debt will largely depend on real GDP growth, management of the primary balance and the exchange rate depreciations.

47. The primary balance plays a key role in ensuring the sustainability of government debt. A debt dynamics analysis was conducted to evaluate the key factors influencing public debt. In 2025, the nominal government debt-to-GDP ratio decreased by

Figure 2.4. Government debt

1. Government debt

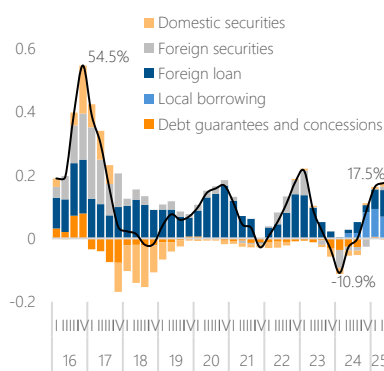
(left axis: MNT trillion, right axis: percent)



Source: MOF

2. Government debt composition, annual growth (percent)

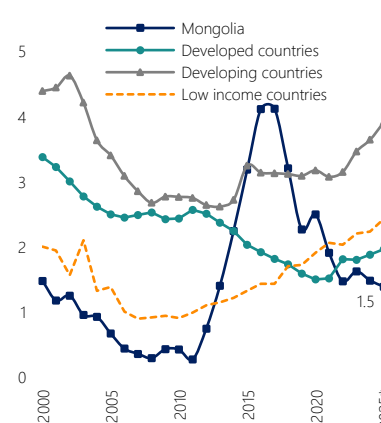
(percent)



Source: Estimation of MED, MOF

3. Dynamics of debt service payments (GDP percent)

(GDP percent)



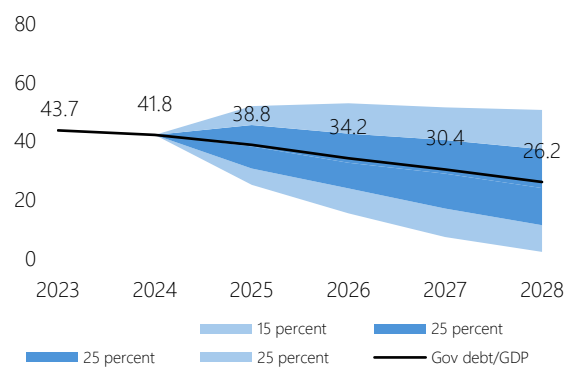
Source: IMF

Note: *IMF projection

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

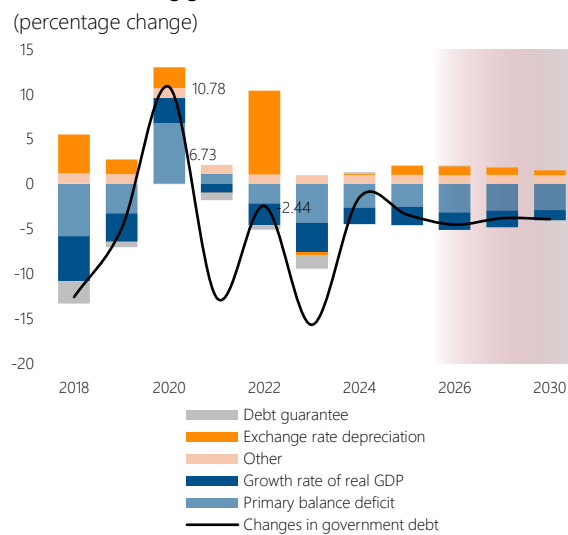
Figure 2.5. Government debt sustainability

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



Source: Estimation of MED

2. Factors affecting government debt (percentage change)



Source: Estimation of MED

CHAPTER III

MONETARY SECTOR

3.1. Inflation and monetary policy

3.2. Financial sector

3. MONETARY SECTOR

OVERVIEW

Inflation slowed to 8.2 percent in the second quarter of 2025, remaining above the central bank's target band. As the domestic activities slowed, both demand-driven and supply-side inflation pressures eased from the previous quarter. The central bank maintained the policy rate at 12 percent. Credit growth in commercial banks continued to be a key driver of money supply expansion. Furthermore, the share of non-performing loans in the banking sector continued to rise.

3.1. Inflation

48. Inflation slowed in the second quarter of 2025, falling short of projections. As of June 2025, the inflation rate stood at 8.2 percent, up 3.6 percentage points from the same period last year, but down by 0.9 percentage points from the previous quarter.

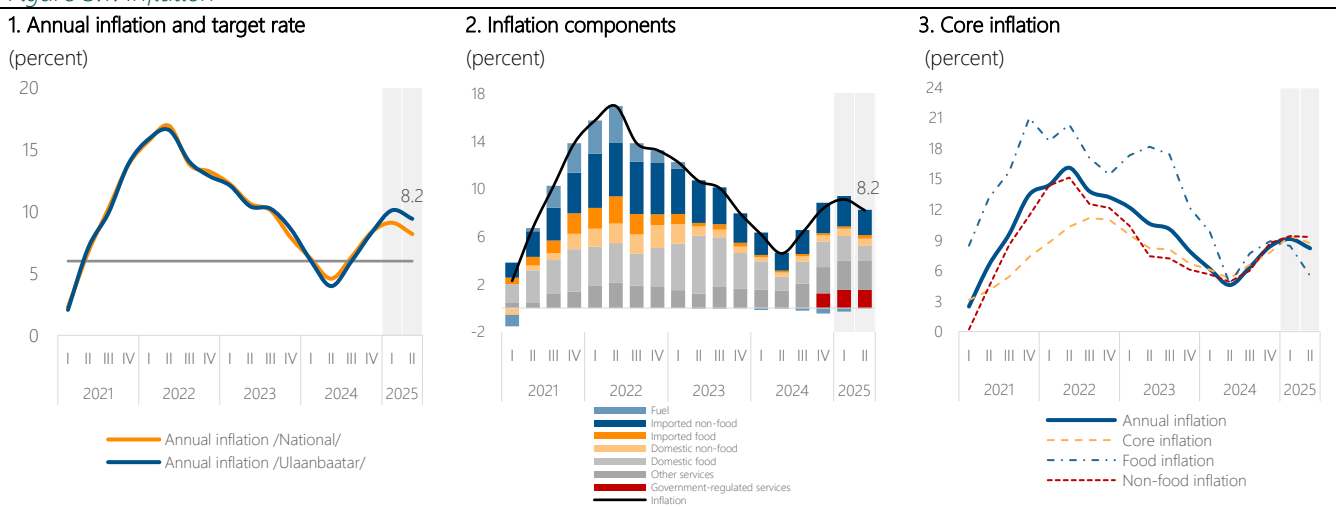
Headline inflation increased mainly due to higher prices for housing, utilities, and energy by 2.0 percentage points, food by 1.6 percentage points, clothing and footwear by 1.2 percentage points, and education services by 1.0 percentage points. Inflation came in below expectations, primarily due to slower-than-expected increases in meat prices and unchanged heating tariffs.

49. Both imported and domestic goods and services experienced higher inflation than in the previous year. Inflation of imported goods slowed to 5.0 percent in June 2025 yet remained 1.7 percentage points higher than a year earlier, contributing 26 percent to annual inflation. About 87 percent of imported goods inflation was driven by higher prices of non-food items, such as clothing, textiles, footwear, vehicles, and fuel. Domestic goods and services inflation reached 11.4 percent in

June 2025, accelerating by 6.0 percentage points year-on-year and contributing 74 percent to annual inflation. The increase in domestic inflation was primarily driven by higher food and service prices. Service prices rose by 16.9 percent compared to the same period last year, contributing 4.0 percentage points to headline inflation. The acceleration in service prices was driven by increases in household electricity bills, housing rents, catering services, and taxi fares.

50. Demand and supply-side inflation eased compared with the previous quarter. Core inflation, which excludes food, fuel, and energy prices, reached 8.7 percent in the second quarter of 2025, down 0.7 percentage points from the previous quarter but up 3.5 percentage points compared to the same period last year. This moderation reflected weakened domestic economic activity. Demand-driven inflation accounted for approximately 65 percent of total inflation. Inflation from supply-side stood at 7.9 percent at the end of the second quarter of 2025, up by 3.5 percentage points from the same period last year. The acceleration in supply-side inflation was mainly driven by a

Figure 3.1. 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

65 percent increase in household electricity tariffs and a 5.6 percent rise in food prices compared to the previous year.

51. Inflation for both food and non-food goods and services increased year-on-year but slowed from the previous quarter. Food inflation stood at 5.5 percent in the second quarter of 2025, up by 0.8 percentage points from the same period last year, while showing a slowdown from the previous quarter. Contributing 1.6 percentage points to headline inflation, food inflation was mainly driven by higher prices of meat, meat products, and beverages. Specifically, the prices of meat and meat products rose by 8 percent, while beverage prices increased by 10.5 percent y-o-y. Non-food goods and services inflation reached 9.3 percent, up by 4.8 percentage points compared to the same period last year. The acceleration in non-food inflation was primarily attributed to a 47 percent increase in housing rents, a 65 percent rise in household electricity bills, a 2.9 percent increase in public transport fee, and a 9.1 percent rise in the prices of clothing, textiles, and footwear.

52. World container shipping price fell, while food price index increased compared with a year earlier. World container shipping prices, which had surged since February 2024 due to attacks in the Suez Canal area of the Red Sea, began to decline gradually from August 2024.

By the end of June 2025, the world average price for a 40-foot container stood at USD 2,983, down 44 percent from the same period last year, yet remaining 116 percent higher than the pre-pandemic level.

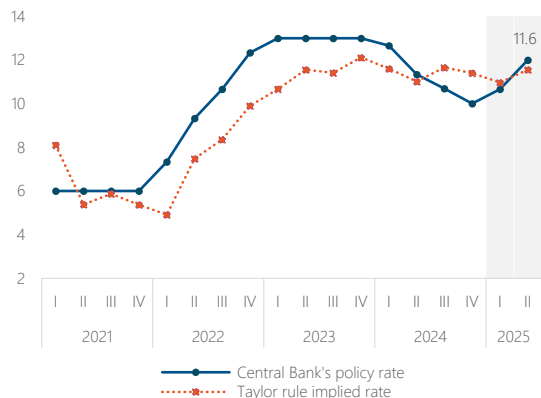
The food price index reached 128.0 by the end of the second quarter of 2025, up 5.8 percent from a year earlier. On the global market, prices of dairy products, meat, and vegetable oils rose, while prices of grains and sugar declined. As of June 2025, inflation increased in China, South Korea, Kyrgyzstan, Kazakhstan, Georgia, the United States, the United Kingdom, and the Euro area, while it declined in Russia, Japan, Turkey, and Sri Lanka.

53. The policy rate is at a suitable level. During the second quarter of 2025, the central bank maintained the policy rate at 12 percent. According to the Taylor rule, the appropriate policy rate is 11.6 percent, which matches current policy rate. Therefore, the real interest rate differential exerted a slightly tightening effect on monetary conditions, while the real exchange rate differential shown a decline in its tightening impact compared to the previous quarter. Considering inflationary risks from credit expansion, geopolitical tensions, and tariffs, keeping the current policy rate steady in the short term is preferable.

Figure 3.2. Taylor's Rule and monetary conditions index

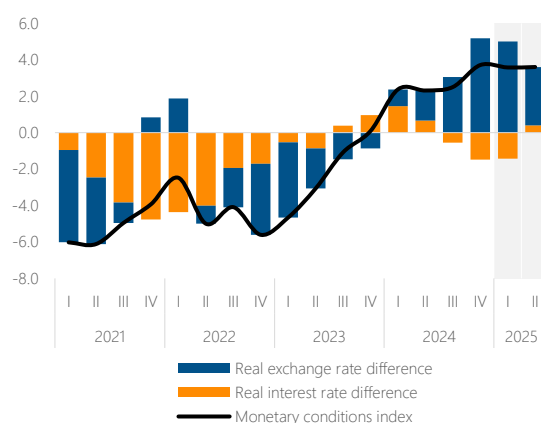
1. Policy rate and Taylor's rule

(percent)



2. Monetary conditions index

(percent)



Source: MED estimation

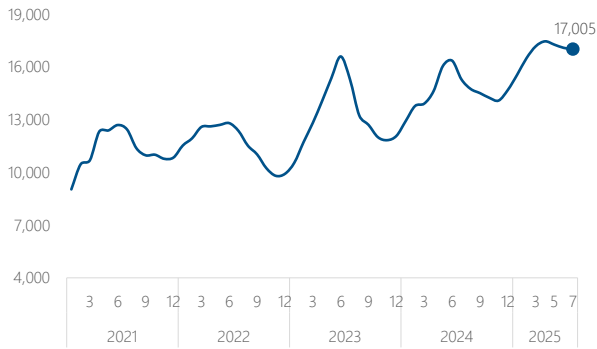
Note: The implied rate calculated by Taylor's rule represents the appropriate value of the central bank's policy rate. It is an equation containing variables such as the policy rate set in the previous quarter, inflation, expected inflation, nominal interest rate, and a fixed coefficient. In connection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

Source: MED estimation

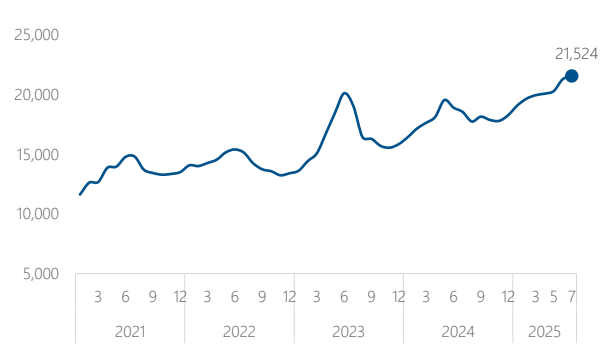
Note: The Monetary Conditions Index is an indicator that measures the impact of monetary policy in an economy. The Monetary Conditions Index was calculated using the GAP methodology of Monetary Policy Analysis. It is calculated using real interest rates and exchange rates. A positive monetary condition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

Figure 3.3. Prices of some items

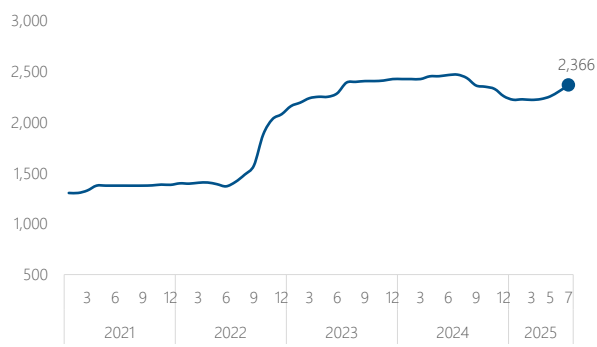
1. Mutton (kg/tugrik)



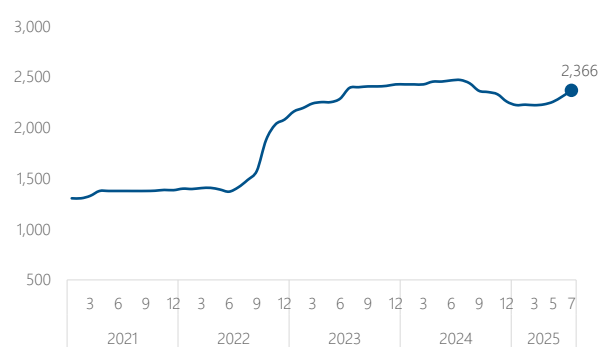
2. Beef (kg/tugrik)



3. Flour, type 1 (kg/tugrik)



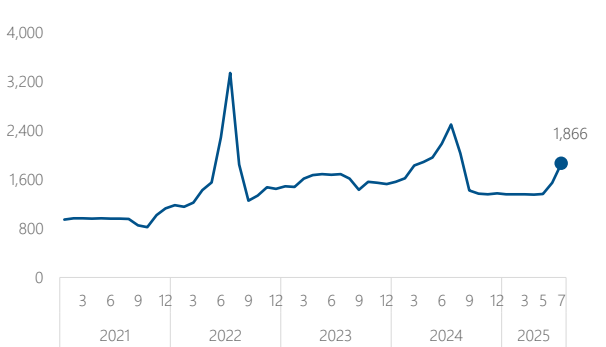
4. Bread, Atar (tugrik)



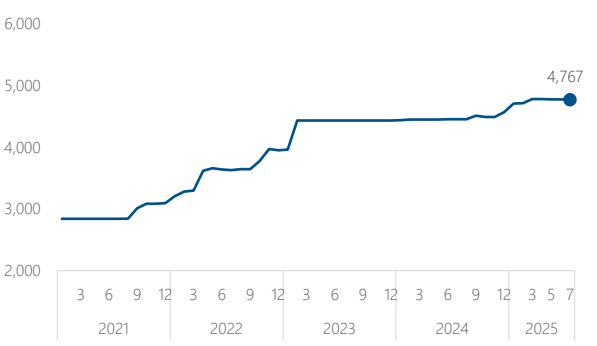
5. Vegetable oil (tugrik)



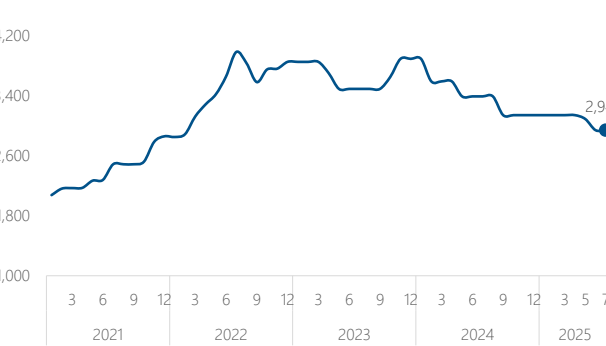
6. Potato (kg/tugrik)



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

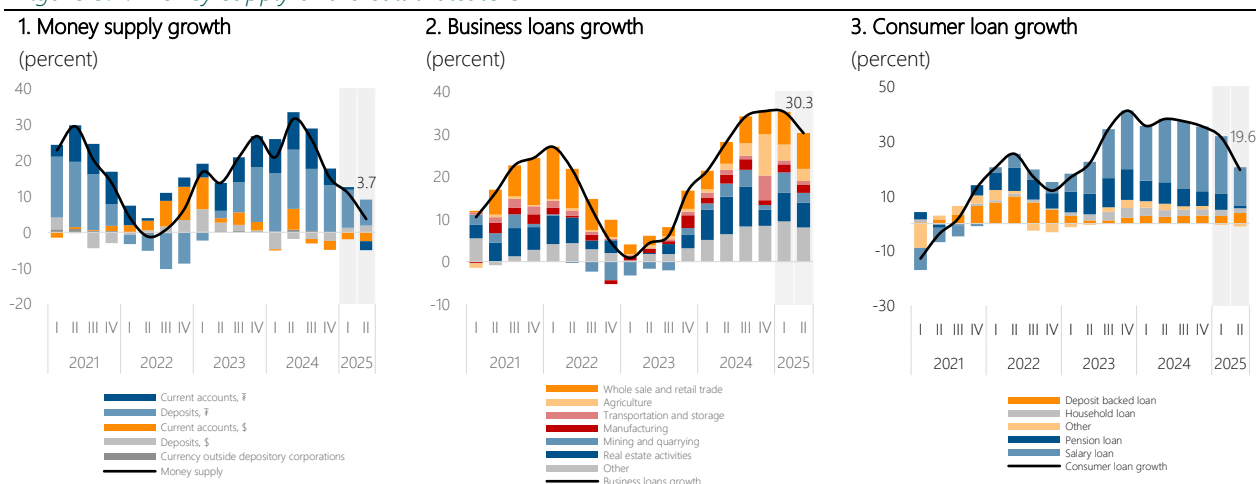
54. Money supply growth continues to slow down.

The growth of money supply reached 3.7 percent at the end of the second quarter of 2025, declined by 28.2 percentage points compared to the same period last year. On the liabilities side, domestic currency deposits mainly contributed to the growth of money supply, which added 7.1 percentage points, and foreign currency deposits added 1.9 points. Meanwhile, domestic currency current accounts, foreign currency current accounts, and cash outside banks reduced the growth by 2.6, 2.5, and 0.2 percentage points, respectively. On the asset side, domestic net assets added 18.0 percentage points to money supply growth, while net foreign assets reduced it by 14.3 percentage points. Net foreign assets fell due to increased foreign borrowing. On the other hand, sustained strong domestic credit growth supported increase in domestic net assets.

55. Credit growth is gradually slowing. As of the

29.8 trillion MNT of total outstanding loans, while consumer loans made up 29 percent or MNT 12.4 trillion. The growth rate of business loans accelerated to 30.3 percent in the second quarter of 2025, 2.1 percentage points higher than the same period last year. The increase in business lending was mainly driven by loans to wholesale and retail trade sectors by 31.3 percent, real-estate activities by 26.1 percent, construction by 36.9 percent, and agriculture by 84.3 percent. Consumer loan growth slowed to 19.6 percent in the second quarter of 2025, decelerating by 18.6 percentage points compared with the same period last year. Salary-based loans remained the dominant driver of consumer loans, with outstanding balances rising by 27.4 percent year-on-year. Following the Monetary Policy Committee’s decisions in its first and second quarter meetings of 2025 to introduce a debt-to-income ratio requirement for newly issued pension loans, the growth of pension loans moderated to 5.9 percent in the second quarter of 2025.

Figure 3.4. Money supply and credit indicators



Source: Estimation of MED, Bank of Mongolia statistics

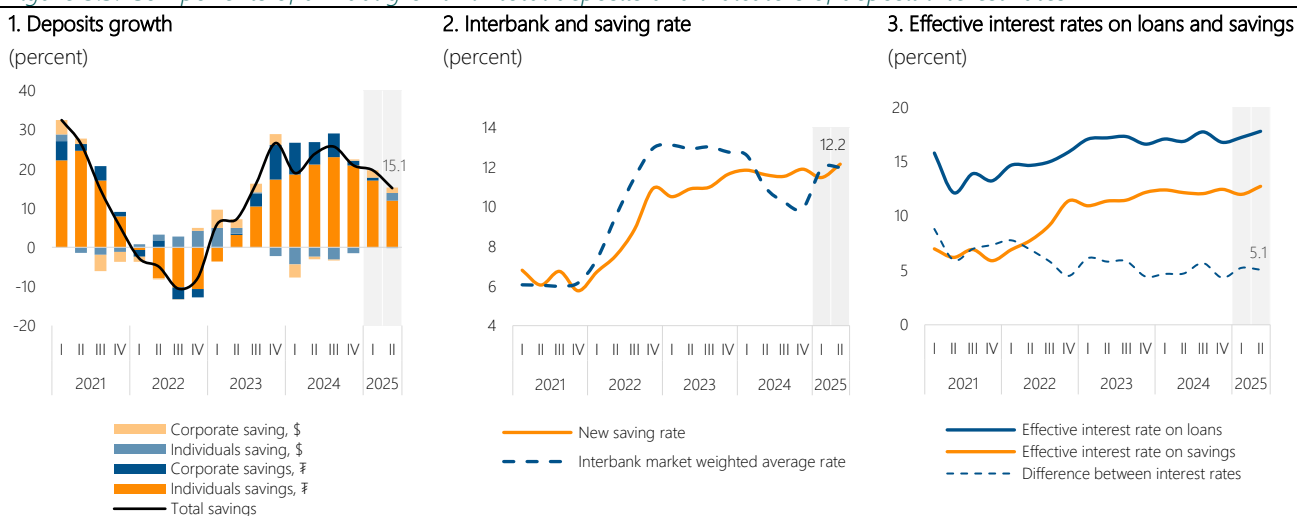
end of the second quarter of 2025, outstanding loans in the banking sector reached 42.2 trillion MNT, representing a 27 percent increase from same period last year. Business loans accounted for 71 percent or

56. Newly issued business loan growth remained strong, whereas consumer loan growth moderated. In the first half of 2025, total new loan disbursements by the banking sector amounted to MNT 32.8 trillion, increasing by MNT 4.9 trillion or 17.6 percent compared to the same period last year. Business loans accounted for 66.2 percent of total new disbursements, while consumer loans comprised 33.8 percent. The annual growth of newly issued business loans reached 23 percent in the first half of 2025, slowing by 27 percentage points. The expansion in business loans was mainly supported by higher loan issuance to wholesale and retail trade, financial and insurance activities, and the construction sector. Conversely, newly issued consumer loan growth stood at 8.2 percent in the first half of 2025, 23 percentage points lower than in the same period last year. The increase in consumer loans was primarily driven by deposit-backed loans. The central bank’s introduction of a debt-to-income ratio requirement for pension and allowance-backed loans in the second quarter of 2025 tightened lending conditions, resulting in a 10.9 percent reduction in new pension loan issuances compared to a year earlier.

57. Non-performing loans increased compared to the same period last year. As of the second quarter of 2025, the total amount of non-performing loans in the banking sector reached MNT 2.1 trillion, up by 6.1 percent compared to the same period last year. By sector, 18.9 percent of non-performing loans were salary-based loans, 17.4 percent were in manufacturing, 15.6 percent in construction, 13.5 percent in wholesale and retail trade, and 10.6 percent in mining and quarrying. The increase in non-performing loans was mainly driven by a significant growth in delinquent salary-backed loans, which expanded 2.4-fold compared to the same period last year. In contrast, non-performing loans in the mining sector declined by 33.4 percent year on year, which positively impacted overall loan quality. Consequently, the ratio of non-performing loans to total outstanding loans stood at 4.9 percent, down by 1.0 percentage point from the same period last year.

58. Individuals’ domestic currency deposits were the primary driver of overall deposit growth. As of the second quarter of 2025, total deposits in the banking sector reached MNT 27.6 trillion, representing a 15.1 percent increase compared to the same period last

Figure 3.5. Components of annual growth in total deposits and indicators of deposit interest rates



Source: Estimation of MED, Bank of Mongolia statistics.

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

year. Of this, individuals' deposits amounted to MNT 23.3 trillion, up by 16.6 percent year-on-year. Specifically, domestic currency deposits of individuals grew by 16.6 percent to MNT 19.5 trillion, while foreign-currency deposits increased by 13.7 percent to MNT 3.9 trillion. Corporate deposits totaled to MNT 4.3 trillion, rising by 7.4 percent from a year earlier. The weighted average interest rate on domestic currency deposits stood at 11.6 percent in the second quarter of 2025, remaining broadly unchanged from a year ago. Meanwhile, the interest rate on foreign-currency deposits increased by 0.4 percentage points to 3.3 percent. Individuals' domestic currency deposits are still increasing, but growth has started to moderate.

59. Compared to last year, the level of asset dollarization has declined.

In the second quarter of 2025, the share of foreign currency current accounts and deposits in the total money supply stood at 22.7 percent, down 1.4 percentage points compared to the same period last year, but up 0.5 percentage points from the previous quarter. A decrease of 18.9 percent in foreign currency current accounts was key factor in the decline of asset dollarization.

60. The weighted average interbank rate stayed close to the policy rate.

Policy rate remained steady at 12 percent. Meanwhile, weighted average interbank rate stood at 12 percent, elevated by 1.0 percentage points from a year earlier and 0.1 percentage points from the previous quarter.

61. The real effective rates on loans and deposits.

The real effective rates on loans reached 17.8 percent in the second quarter of 2025, up 0.9 percentage points from a year earlier and 0.6 percentage points from the previous quarter. Meanwhile, the real effective deposit rate rose to 12.7 percent, increasing by 0.6

percentage points year-on-year and 0.7 percentage points from the previous quarter. The spread between real effective rates on loans and deposit rates widened by 0.3 percentage points compared to a year earlier, mainly due to a relatively higher increase in loan rates than in deposit rates.

62. Credit issuance is rebounding.

Total loans amounted to 46.9 percent of GDP in the second quarter of 2025, increased by 5.4 percentage points from a year earlier. Following a slowdown during 2022–2023, credit growth has been on a recovery path since the second half of 2023. The ratio of total loans to deposits in the banking sector reached 1.53 (153 percent) in the second quarter of 2025, up 0.14 percentage points year-on-year and 0.09 percentage points from the previous quarter. The increase in this ratio was primarily driven by stronger credit growth. However, a persistently high loan-to-deposit ratio suggests elevated liquidity risks in the banking sector.

63. Banking sector profitability remains stable.

In the second quarter of 2025, the return on assets (ROA) of the banking sector stood at 2.1 percent, down 1.3 percentage points from the same period of the previous year. Although ROA declined compared to last year, it remains above 2 percent, indicating that banks continue to maintain strong profitability. The stability in bank profitability was mainly supported by the growth of individuals' deposits.

64. Outstanding loan growth in non-bank financial institutions continues to remain high.

As of the second quarter of 2025, a total of 573 non-bank financial institutions (NBFIs) were operating, with outstanding loans reaching MNT 6.7 trillion, marking an increase of 45.4 percent compared to last year. Of the total loans issued, 92.9 percent were extended to individuals and 7.1 percent

to businesses. In the second quarter of 2025, 88.5 percent of all NBFIs borrowers, which is 2.5 million clients, received loans totaling MNT 1.9 trillion through fintech-based lending services. The weighted average

monthly interest rate on loans issued by NBFIs stood at 3.6 percent, showing an increase of 0.1 percentage points compared to the same period last year.

Table 3.1. Financial sector vulnerability

		Credit Expansion	Asset Quality	Profitability	Solvency	Liquidity
		Total loans/GDP (%)	NPLs/Total loans (%)	Return on assets (%)	Deposits to loan ratio (%)	Liquid assets (% short-term liability)
2020	I	44.8	10.8	0.3	123	40.9
	II	45.4	11.1	1.2	114	38.1
	III	45.4	11.4	1	104	38.6
	IV	45	11.8wr	0.5	95	48.0
2021	I	39.1	11.5	1.1	95	48.0
	II	42.4	10.3	2.2	100	53.3
	III	44.8	9.9	1.5	105	48.8
	IV	46.2	10	0.7	110	53.3
2022	I	39.9	9.7	2	123	44.2
	II	42.4	9	3.5	128	45.1
	III	41.5	11.2	1.3	134	42.0
	IV	40.1	9.2	2.8	127	56.7
2023	I	32.3	9.6	2.4	122	48.3
	II	35.6	8.7	2.7	131	49.0
	III	36.3	8.5	2.4	131	50.7
	IV	38.1	7.5	2.6	124	57.8
2024	I	36.1	7.1	2.8	129	57.2
	II	41.5	5.9	3.4	139	51.7
	III	43.7	5.7	2.3	141	49.2
	IV	45.9	5.1	2.6	139	52.0
2025	I	42.9	5.3	2.4	144	49.2
	II	46.9	4.9	2.1	153	43.2

Note: Liquid assets were calculated as the sum of cash on hand, deposits and current accounts at the central bank in domestic and foreign currency, central bank securities, and other deposits held at the central bank. Short-term liabilities were measured as the sum of current and time deposits, and obligations to other financial institutions, interbank entities, foreign organizations, and government institutions. The ratio of total loans to GDP was computed using the Ministry of Economy and Development's 2025 projection for nominal gross domestic product.

Source: Estimation of MED

CHAPTER IV

EXTERNAL SECTOR

4.1. Foreign trade

4.2. Balance of payments and external debt

4. EXTERNAL SECTOR

OVERVIEW

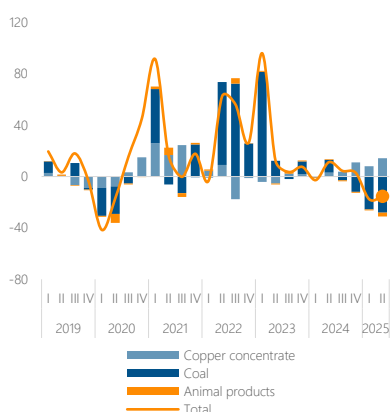
The export volumes of key mining products—such as copper concentrate and iron ore—remained at the same level as in the previous year, reflecting the stability of production. However, coal prices declined due to a record high global economic uncertainty and weak demand, which had a major negative impact on export revenue. On the other hand, the growth of imports was low due to the weak domestic demand. However, the drop in exports led to a widening of the current account deficit and increased pressure on the balance of payments.

4.1. Foreign trade

- 65. Although the foreign trade balance showed a surplus, the total trade turnover decreased compared to the same period of the previous year.** As of the first half of 2025, Mongolia traded with 145 countries worldwide, recording a trade surplus of USD 1.0 billion; however, the total trade turnover amounted to USD 12.1 billion, down by 8.7 percent compared to the same period of the previous year.
- 66. Growth in export revenue has slowed down.** As of the first half of 2025, Mongolia's exports reached USD 6.6 billion, a decline of 16.5 percent compared to the same period of the previous year. This decrease was mainly driven by the reduced export volume of coal and the fall in coal prices on the global market. Although the export volume of major commodities is expected to remain stable at a high level, the border prices of main export products, except for copper concentrate, are anticipated to decline due to external market conditions.
- 67. Due to external factors, both the export volume and price of coal have declined.** The increase in China's coking coal production and the slowdown in procurement by major steel producers have negatively affected Mongolia's coal exports. As a result, in the first half of 2025, coal exports reached 37.9 million tons, down by 6.8 percent compared to the same period of the previous year. Moreover, the border price decreased by 40 percent year-on-year, leading to a 44 percent drop in coal export revenue, which impacted overall export growth. In the near term, while coal demand in external markets is expected to remain stable and export volume may increase, border prices are unlikely to recover.
- 68. Exports of copper concentrate and iron ore have increased.** As of the first half of 2025, copper concentrate exports reached 1,054 thousand tons, up by 34 percent compared to the same period of the previous year, while iron ore exports amounted to 3,856 thousand tons, increasing by 7 percent year-on-year. This growth was mainly driven by higher production and strong global demand for copper. Meanwhile, due to tariff policies and trade disputes creating uncertainty in international trade, crude oil exports fell by 12.9 percent to 915 thousand tons. In the near term, copper concentrate and iron ore production are expected to continue rising steadily, and global market prices for refined copper are likely to show an upward trend.
- 69. Due to export restrictions, exports of certain animal-origin products have declined.** Within the framework of the Government's decision to ban the export of washed cashmere, cashmere exports in the first half of 2025 decreased by 72 percent compared to the same period of the previous year. In addition, due to weak activity in the processing industry, meat exports fell by 25 percent, while leather exports declined by 70 percent.
- 70. Trading activity on the mining commodity exchange has weakened.** In the first half of 2025, a total of 2,362 thousand tons of coal worth USD 175 million, 3,007 thousand tons of iron ore and concentrate worth USD 184 million, 18.1 thousand tons of copper concentrate worth USD 39 million, and 18.3 thousand tons of fluorspar ore and concentrate worth USD 4.9 million were traded through the mining products exchange. While a total of 212 transactions were successfully conducted on the exchange in the second quarter of 2024, trading activity has been steadily declining since the third quarter, reaching only 85 transactions in the second quarter of 2025.

Figure 4.1. Exports

1. Export growth (percent)



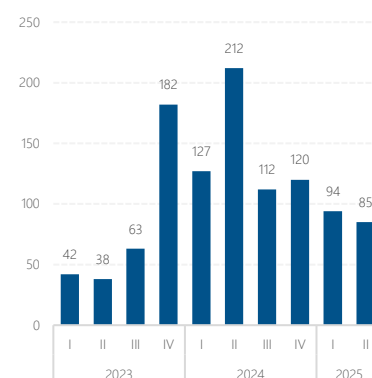
Source: MCGA

2. Export volumes of main commodities

Product	2024.06	2025.06	Growth
Copper concentrate /thousand.ton/	785	1,054	34.2%
Coal /million ton/	40.6	37.9	-6.8%
Gold /kg/	5.0	4.2	-17.4%
Iron ore /thousand.ton/	3,596	3,856	7.2%
Crude oil /thousand.bbl/	2,065	1,786	-13.5%

Source: MCGA

3. Coal trades at the Mining commodity exchange



Source: MCGA

71. Import growth slowed. In 2024, economic activity was high, household income and credit increased, which improved the purchasing power of individuals and businesses, and the flow of imported goods was also high. However, in the first half of 2025, imports increased by 150 million USD, or 2.8 percent, compared to the same period of the previous year, and the growth rate slowed.

72. Considering the growth of imports by group, consumer goods had a positive impact of 6.3 percentage points on total import growth, while investment machinery and equipment and construction materials had a negative impact of 1.3 percentage points, and industrial inputs had a negative impact of 2.3 percentage points.

73. Consumer product imports have remained high. Imports of consumer products reached USD 2.2 billion, an increase of 18 percent from the previous year. The main contributors to this growth were cars and food imports. Passenger car imports reached USD 208 million, an increase of 45 percent from the previous year. It was decided not to issue new license plates to vehicles older than 10 years.

About 50 percent of all imported passenger cars are older than 10 years, and due to this decision, car imports remained high in the first half of the year. In addition, household food consumption increased in the first half of 2025, and food imports increased by 12 percent.

74. Imports of construction materials increased due to the intensification of construction work on projects. As of the first half of the year, imports of construction materials have reached USD 670 million, an increase of 12 percent compared to the same period the previous year. Also, due to the construction of major projects such as the Erdeneburen Hydroelectric Power Plant, the Oil Refinery, the Selbe Sub-Center, and the Tuuli Highway, the growth in construction materials imports is expected to remain high this year.

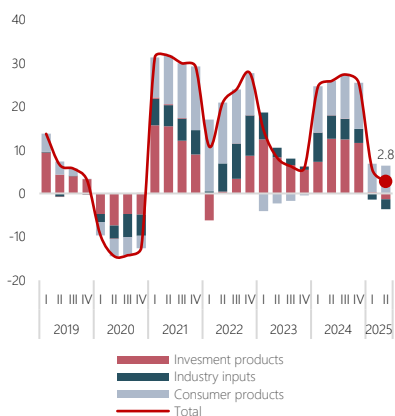
75. Due to a slowdown in the price growth of goods from trading partner countries, the cost price of imported goods remained relatively low. The import price index decreased by 95.2 percent, or 4.8 percent from the same period last year. For example, inflation in China, which accounts for 38 percent of our country's total imports, averaged -0.1 percent in the first half of 2025. However, inflation in Russia, which accounts

for 24 percent of total imports, averaged 10 percent in the first quarter of 2025, but AI-92 gasoline and diesel fuel account for 21 percent of imported products from that country. 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	2024.06	2025.6	Change
Food	252	661	45.0%
Passenger car	223	581	12.4%
Heavy truck	599	672	12.2%
Construction material	1,024	1,026	0.2%
Equipment	959	893	-6.9%
Fuel	337	293	-13.2%
Total	5,378	5,528	2.8%

Source: MCGA

4.2. Balance of payments and external debt

76. Despite improvements in the services and primary income accounts, the current account deficit widened due to a decline in export earnings. As of the second quarter of 2025, imports of goods and services contracted, and the deficits in the services and primary income accounts narrowed compared to the same period last year.

However, goods exports declined by USD 1.2 billion, resulting in a current account deficit of USD 1.7 billion. Consequently, the overall balance of payments recorded a deficit of USD 450 million.

77. The services account balance improved, was primarily driven by a reduction in deficits related to transport and construction services.

As of the second quarter of 2025, the services account recorded a deficit of USD 1.5 billion, a decrease of USD 205 million compared to the same period of the previous year. Of the total services deficit, 38 percent (USD 0.6 billion) was attributed to travel services, 25 percent (USD 0.4 billion) to other business services, and 23 percent (USD 0.3 billion) to transport services. Compared to the same period last year, transport service expenses declined by USD 38 million, while revenues increased by USD 65 million, resulting in a USD 125 million (27 percent) reduction in the transport services deficit. Additionally, expenditures on construction services fell from USD 109 million in the same period of the previous year to USD 34 million, further contributing to the overall improvement in the services account.

78. The travel services deficit remained broadly unchanged from a year earlier. The travel services account recorded a deficit of USD 563 million, representing a 1 percent decrease compared to the same period of the previous year. Expenditures on medical-related travel

services fell by USD 82 million (58 percent) year-on-year, but spending on education-related services increased by USD 44 million and other personal travel expenses rose by USD 107 million. The number of inbound tourists reached 328 thousand in the first half of 2025, marking an increase of 83 thousand (34 percent) compared to the same period of the previous year. This growth was primarily driven by increases in arrivals from China (up by 38 thousand), South Korea (13 thousand), Russia (7 thousand), and Japan (4 thousand). Meanwhile, the number of Mongolian nationals traveling abroad for tourism purposes rose to 202 thousand during the same period, representing a year-on-year increase of 46 thousand (29 percent).

79. The financial account surplus increased, primarily driven by improvements in the currency and deposit accounts.

As of the second quarter of 2025, the financial account recorded a surplus of USD 1.5 billion, representing an increase of USD 0.6 billion year-on-year. This growth was primarily attributable to a base effect, as the first half of the previous year experienced outflows in the currency and deposits account related to the central bank's payment of USD 0.6 billion under a swap arrangement.

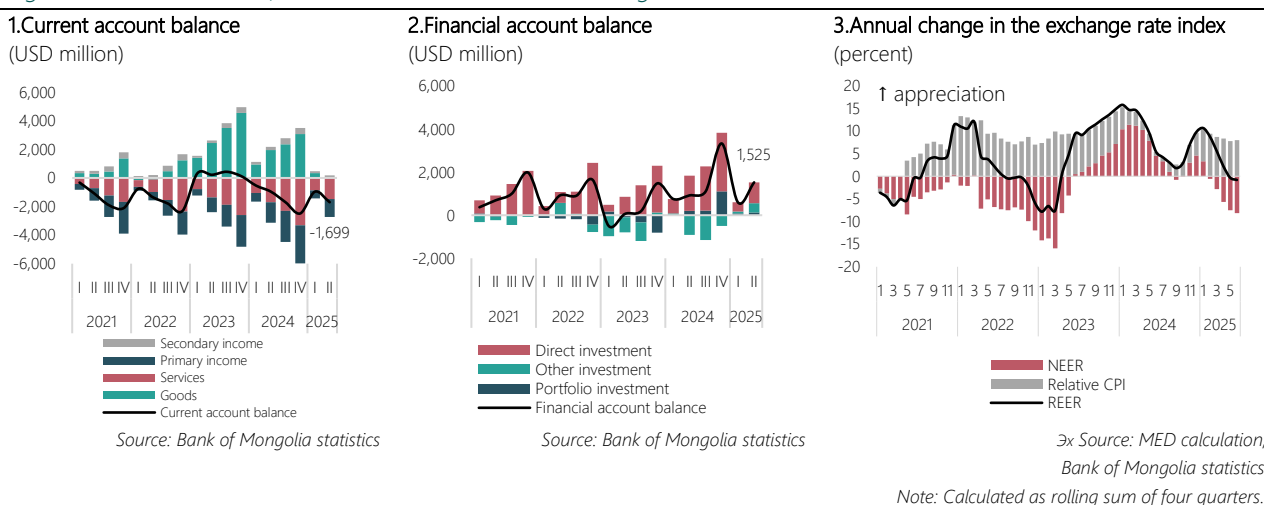
80. Inflows of foreign direct investment declined.

Total foreign direct investment (FDI) inflows amounted to USD 1,361 million as of the second quarter of 2025, representing a 39 percent decrease (USD 870 million) compared to the same period of the previous year. The contraction was primarily driven by a sharp reduction in mining sector FDI, which fell by USD 860 million (46 percent) to USD 1,006 million. Additionally, FDI in professional, scientific, and technical activities decreased by USD 44 million, while financial and insurance

activities saw a decline of USD 4 million. On the other hand, FDI in administrative and support services increased by USD 26 million,

and investment in the trade sector rose by USD 9 million during the same period.

Figure 4.3. Current and financial account balance, exchange rate



81. **Despite an increase in gross international reserves, the MNT depreciated against the USD.** Gross international reserves stood at USD 5,206 million at the end of the second quarter of 2025, an increase of USD 367 million year-on-year, but a decline of USD 304 million compared to the end of 2024. In the first half of 2025, the central bank sold USD 3,421 million to the market through auctions, which was USD 350 million higher than the same period of the previous year. As of the end of the second quarter of 2025, the official exchange rate of the MNT against the USD weakened to MNT 3,581, reflecting a depreciation of MNT 160 since the beginning of the year. The nominal effective exchange rate index, weighted by trading partner currencies, dropped by 8.1 percent year-on-year, while the real effective exchange rate index, adjusted for relative price changes, declined by 0.8 percent over the same period.

82. **The widening of the current account deficit was driven by a decline in national savings.** The current account balance can also be expressed as the difference between national savings and investment. Over the past decade, Mongolia's investment needs have

consistently exceeded domestic savings, resulting in a current account deficit in all years except 2023. As of the second quarter of 2025, the four-quarter rolling current account deficit stood at 13 percent of GDP, up 9 percentage points from the same period of the previous year. This deterioration reflects a 6.3 percentage point decline in savings, primarily due to increased consumption, alongside a 2.2 percentage point increase in investment. For both the public and private sectors, the contraction in savings exceeded the increase in investment, contributing to the overall widening of the deficit.

83. **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 -46.0 billion by the end of the second quarter of 2025, equivalent to -189 percent of GDP. Foreign-owned financial assets totaled USD 56.1 billion, which is 5.5 times greater than Mongolia's financial assets held abroad. Of the foreign-owned financial assets, 61 percent (USD 34.3 billion) constitute direct investment, while 26 percent

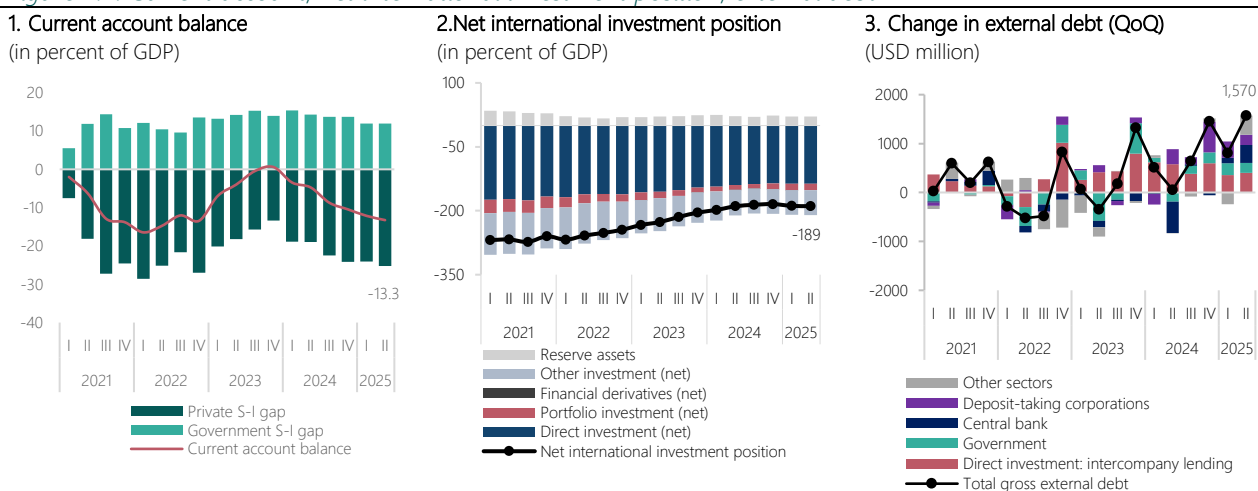
(USD 14.3 billion) are loans. Conversely, 51 percent (USD 5.2 billion) of Mongolia’s financial assets held abroad are reserve assets.

84. Gross external debt of both the public and private sectors increased. Mongolia’s total gross external debt reached USD 39.6 billion at the end of the second quarter of 2025, rising by USD 1.6 billion, or 4.1 percent, compared to the previous quarter. By sector, the central bank’s external debt increased by USD 368 million, government external debt by USD 203 million, banking sector external debt by USD 210 million, and other private

external debt declined in manufacturing, energy, and real estate sectors compared to the previous quarter.

86. The majority of the total external debt is comprised of direct investment and loans. Of the total external debt, 45 percent (USD 18.0 billion) represents intercompany lending, 36 percent (USD 14.3 billion) consists of loans, and 10 percent (USD 4.0 billion) comprises bonds. Notably, 46 percent of the loan is attributable to government and central bank borrowings, while the remaining 54 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.

sector external debt by USD 999 million over the same period.

85. The majority of the increase in private sector external debt was driven by the financial and mining sectors. The mining sector accounted for 75 percent (USD 749 million) of the growth in private sector external debt, while the financial and insurance sector contributed 19 percent (USD 187 million). Among other sectors, external debt position increased in administrative and support services, transportation, information and communication, and trade sectors, whereas

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

Figure 4.5. External debt sustainability

External debt

(in percent of GDP, unless otherwise indicated)

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

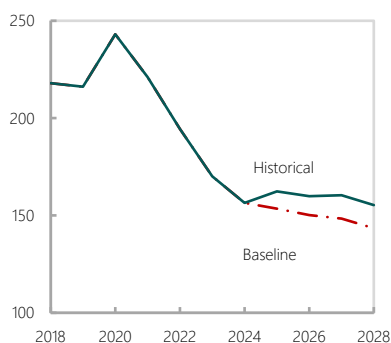
								historical average	standard deviation
Real GDP growth (in percent)	7.7	5.6	-4.6	1.6	5.0	7.4	5.1	3.8	3.7
Nominal external interest rate (in percent)	4.3	4.8	4.3	3.9	4.3	6.3	7.2	4.8	1.1
Growth of exports (USD, in percent)	12.8	9.7	-9.1	17.1	22.8	41.1	5.3	11.4	16.1
Growth of imports (USD, in percent)	37.5	3.1	-20.6	26.1	30.9	11.8	21.3	10.6	20.9
Non-interest current account balance	-7.7	-5.5	4.9	-5.6	-4.9	10.9	1.3	-0.4	5.7
Net non-debt creating capital inflows	6.9	7.8	4.6	7.6	0.8	1.2	2.0	3.5	3.9

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

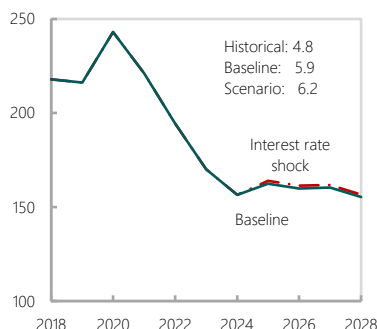
2/The key variables include non-interest current account balance, net non-debt creating capital inflows, real GDP growth, GDP deflator, nominal external interest rate.

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

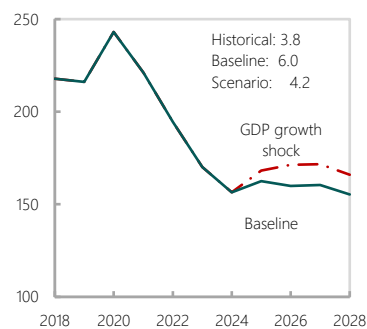
1. Baseline and historical scenarios



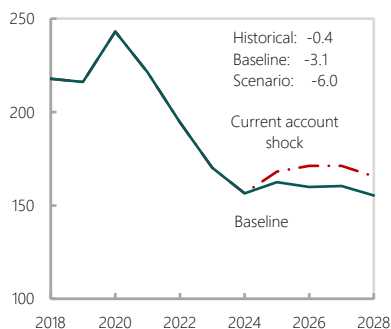
2. Interest rate shock



3. Growth shock

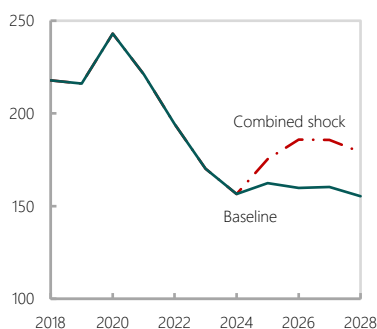


4. Non-interest current account shock

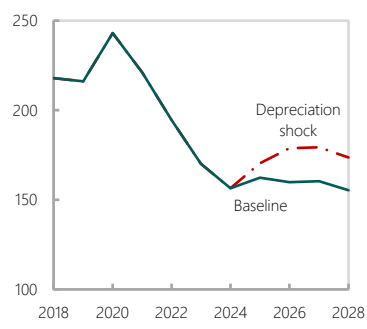


5. Combined shock

(interest rate, current account, GDP growth)



6. Exchange rate depreciation shock



Source: MED calculation

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

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

CHAPTER V

WORLD ECONOMY

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

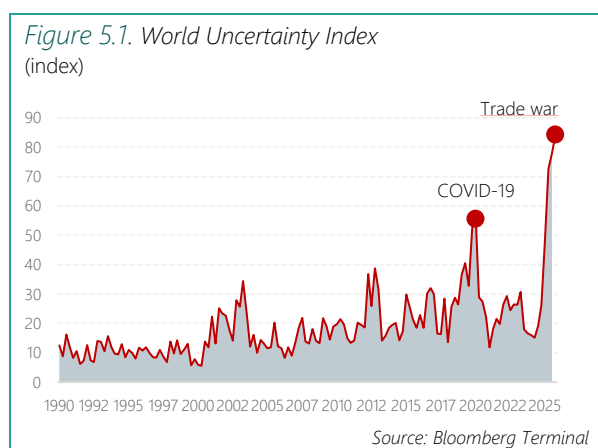
5. WORLD ECONOMY

OVERVIEW

Due to geopolitical factors such as the trade war, the war in Ukraine, and escalating tensions in the Middle East, global uncertainty has reached a historic high. As a result, investors have increasingly turned to safe-haven assets, leading to higher demand and prices for gold, while weaker global economic activity has reduced demand and prices for coal. However, the IMF has revised upward its global economic growth forecast for 2025, supported by temporary tariff suspensions and fiscal stimulus measures.

5.1. World economy

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



89. The IMF raised its global growth projection. In July 2025, the IMF revised its global growth projection upward by 0.2 percentage points to 3.0 percent for 2025 and by 0.1 percentage points to 3.1 percent for 2026. Although this remains below the 2024 growth of 3.3 percent and the pre-pandemic average of 3.7 percent, it is higher than the April 2025 forecast. The upward revision reflects the temporary pause of tariffs between the US and China, front-loading of trade ahead of potential tariff hikes, improved financial market conditions, and fiscal expansion in major economies, including the US, China, and Germany.

90. China's economy grew by 5.2 percent in the second quarter of 2025. Although this growth

rate is in line with the government's target, prolonged weakness in the property sector and subdued domestic demand continue to constrain economic activity. In July 2025, the IMF revised its forecast for China's growth upward to 4.8 percent in 2025 and 4.2 percent in 2026, 0.8 and 0.2 percentage points higher, respectively, than the April 2025 forecast. Nonetheless, heightened uncertainty related to the trade war continues to weigh on China's outlook.

91. The Eurozone economy grew by 0.9 percent in 2024 and by 1.4 percent in the second quarter of 2025. Industrial activity in Germany, which accounts for about 30 percent of the area's output, remains subdued, constraining growth. The IMF projects euro area growth at 1.0 percent in 2025, held back by trade-related tensions, but expects growth to strengthen to 1.2 percent in 2026 as real wages recover and Germany's fiscal expansion gains traction.

92. The US economy expanded by 2.1 percent in the second quarter of 2025, largely due to the slowdown in import growth. With trade tensions temporarily easing and financial markets recovering, the IMF revised its US economic growth forecast to 1.9 percent for 2025 and 2.0 percent for 2026, representing upward adjustments of 0.1 and 0.3 percentage points, respectively, from the previous projections. Nevertheless, the likelihood of an escalation of the ongoing trade war remains high, which poses risks of constraining global trade and investment flows and fueling inflation in both the US and worldwide.

5.2. Commodity market developments

93. **The average price of Copper on the London Metal Exchange reached USD 9,145 in 2024, up by 7.9 percent from the previous year.** As of the first seven months of 2025, the price rose further to USD 9,475, an increase of 3.6 percent year-on-year. Fluctuations in copper inventories held by major manufacturers, driven by U.S. tariff policy decisions, have influenced global copper prices. Although uncertainty in the global economy has increased, demand for copper continues to rise, supported by the rapid development of electric vehicles, renewable energy, data processing centers, and the technology sector. According to international analysts, the average copper price is projected to reach USD 9,200 in 2025 and USD 9,700 in 2026.
94. **The average price of high-quality Australian coking coal on the Singapore Exchange reached USD 243 in 2024, a decline of 17.9 percent from the previous year.** As of the first seven months of 2025, the price dropped further to USD 184, down 24.2 percent year-on-year. The main factors contributing to the price decline were increased steel supply to India, the world's second-largest consumer of coking coal, and slower coking coal procurement by major steel producers in China. Global uncertainty and trade tensions are further pressuring coal prices downward. According to international analysts, the average price of coking coal is expected to decline to USD 175 in 2025–2026. Mongolia's average coal export price is projected at USD 70 for the same period.
95. **The average price of gold on the London Metal Exchange reached USD 2,389 in 2024, an increase of 22.9 percent from the previous year.** As of the first seven months of 2025, the price rose further to USD 3,115, up 30.4 percent year-on-year. The U.S. Federal Reserve's decision to lower its policy interest rate in 2024 boosted gold demand, contributing to the price increase. Amid growing global uncertainty, gold prices are expected to continue rising. According to international analysts, the average gold price is projected to reach USD 2,900 in 2025 and USD 2,800 in 2026.
96. **The price of iron ore (62% content) reached USD 110 in 2024, a decrease of 8.0 percent from the previous year.** As of the first seven months of 2025, the price declined further to USD 100, down 9.3 percent year-on-year. The main factors behind the price decline were increased supply from countries such as Australia and Brazil, as well as a downturn in China's real estate sector. Since China's real estate sector is not expected to recover in the short term and production in Australia and Brazil is projected to continue growing steadily, iron ore prices are likely to remain under downward pressure. According to international analysts, the average price of iron ore is expected to reach USD 95 in 2025 and USD 90 in 2026. Mongolia's average iron ore export price is projected at USD 72 in 2025 and USD 69 in 2026.
97. **The average price of Brent crude oil reached USD 69 in the first five months of 2025, down 7.9 percent from the end of the previous year.** The decline was mainly driven by increased oil production in the U.S., Canada, and Brazil, as well as weaker demand from China. Due to the global economic slowdown caused by geopolitical uncertainty and trade tensions, oil prices are expected to remain under downward pressure. According to international analysts, the average price of Brent crude oil is projected at USD 75 in 2025 and USD 70 in 2026.

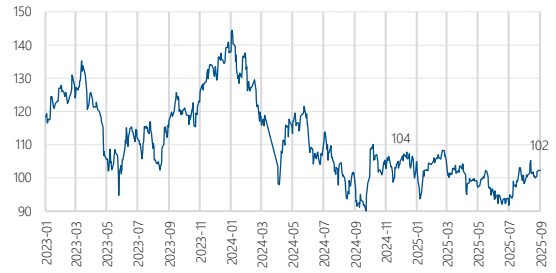
Figure 5.2. Commodity prices of the global market

1. Pure copper price on the LME(\$/ton)



Source: Bloomberg

2. Iron ore 62% price in Northwest China (\$/ton)



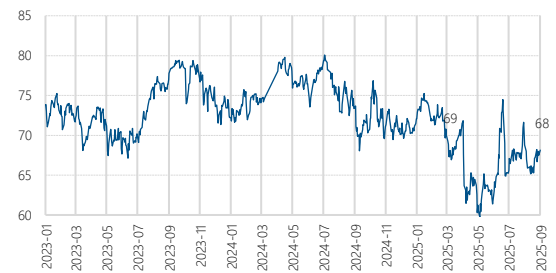
Source: Bloomberg

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



Source: Bloomberg

4. Brent oil price (\$/barrel)



Source: Bloomberg

5.3. Indexes updated globally

98. World competitiveness ranking:

In 2025, Mongolia scored 40.91 in the IMD World Competitiveness Index⁸ and ranked 65th out of 69 countries, falling by four positions compared to the previous year. The decline in Mongolia’s competitiveness ranking is linked to decreases across all four main factors: economic performance, government efficiency, business efficiency, and infrastructure.

Table 5.1. Mongolia’s Score and Ranking in the Competitiveness ranking

Pillars	2024		2025	
	Score	Rank	Score	Rank
Economic Performance	47.2▲	#42▲	44.8▼	#55▼
Government Efficiency	35.0▲	#53▲	32.5▼	#61▼
Business Efficiency	20.3▲	#62▲	16.5▼	#65▼
Infrastructure	14.4▲	#64▼	13.8▼	#66▼
Overall Index	46.3▲	#61▲	40.1▼	#65▼

At the indicator level, Mongolia ranked last in several areas, including export concentration (69th), economic resilience (68th), performance of state-owned enterprises (69th), foreign investor environment (67th), protection of shareholder rights (69th), labor productivity (68th), public-private partnership (69th), and quality of life (68th), all of which weakened the overall assessment.

On the other hand, in terms of positive changes, Mongolia made significant progress, moving up 6 places in the labor market indicator and 2 places in the management experience indicator.

Looking at other countries’ rankings, Switzerland ranked first in the 2025 report, supported by strong infrastructure and high government efficiency. Singapore, Hong Kong, the UAE, and the Netherlands maintained their leading positions. This is largely due to the European Union countries’ governance, institutions, and regulatory frameworks being oriented toward supporting business. In addition, Singapore’s improved business environment, ease of attracting foreign investment, transparent and efficient regulation, favorable conditions for international trade, and advanced transport, logistics, and infrastructure have contributed to a highly competitive environment.

Following Mongolia were Turkey, Nigeria, Namibia, and Venezuela, which were placed at the bottom due to unstable economies, export dependence, high inflation, and elevated public debt levels. Meanwhile, countries that ranked below Mongolia in previous years—such as Argentina, Brazil, Peru, and Ghana—were positioned ahead of Mongolia in this year’s report.

⁸ The World Competitiveness ranking, published annually by the IMD, measures the level of openness and competitiveness for businesses. The index is based on 336 indicators in four categories: Economic Performance, Governance Efficiency, Business Efficiency,

and Infrastructure, and is scored on a scale of 1 to 100. The closer the index is to 100, the higher the competitiveness, and the closer it is to 0, the lower the competitiveness. Two-thirds of the assessment is based on statistical data, and the rest is based on surveys of executives.

Macroeconomic Overview

August 2025

Overview

Macroeconomic Overview: August 2025

Economic growth: Economic growth was 5.1 percent at the end of 2024, 5.6 percent in the first half of 2025, and an estimated 5.5 percent for the first seven months of 2025. Agriculture, construction, and manufacturing contributed positively to growth, while transport and trade—linked to the mining sector—slowed growth.

Exports As of the first eight months of 2025, exports reached USD 9.2 billion, a 13.8 percent decrease compared to the same period of the previous year. The decline in exports was mainly due to a decrease in coal export volume, which reached 52.9 million tons, down 4.5 percent from the same period last year, and a drop in the border price of coal to USD 66 per ton, a 41.0% decline year-on-year. As of October 26, coal exports reached 68.1 million tons, an increase of 1.5 percent or 980 thousand tons compared to the same period of the previous year.

Imports: As of the first eight months of 2025, imports reached USD 7.5 billion, a 0.3 percent decrease compared to the same period of the previous year. However, in structural terms, imports of industrial inputs that support domestic production declined by 8.2 percent, while imports of investment goods fell by 2.8 percent. In contrast, consumer product imports increased by 7.9 percent year-on-year. In addition, the number of containers waiting to be shipped from China's Tianjin Port to Mongolia dropped to 250 in August, which is ten times lower than the normal backlog in previous years. This indicates that import growth is likely to remain subdued in the coming months.

Balance of Payments: As of August 2025, the balance of payments showed a surplus of USD 5 million. In the first quarter of 2025, the balance of payments deficit reached USD 602 million due to a decrease in export revenue and high imports of consumer goods, especially passenger cars. However, in recent months, exports have improved, import growth has slowed, and the current account deficit has stabilized. On the other hand, the financial account surplus has increased compared to the previous year due to commercial banks and the Development Bank issuing new bonds and the central bank entering into new swap agreements. As a result, the balance of payments showed a surplus for the first time in August of 2025.

Therefore, foreign exchange reserves are USD 5 billion 683 million as of August 2025. The exchange rate of the MNT against USD tended to weaken sharply in March and April, but has been relatively stable in the last 4 months.

Budget performance: The budget deficit totaled MNT 1.2 trillion in the first eight months of fiscal year 2025. Consolidated budget revenue reached MNT 19.3 trillion, marking a decrease of MNT 0.6 trillion or 2.9 percent compared to the same period of the previous year. The decline in budget revenue was mainly driven by a MNT 1.0 trillion or 29.2 percent drop in mineral resource royalty tax and a MNT 1.0 trillion or 21.6 percent decrease in corporate income tax revenue compared to the same period of the previous year. Current budget expenditure increased following a 6.0 percent adjustment in civil service salaries and pensions, effective January 1, 2025, in line with the previous year's inflation rate. As of the first eight months of 2025, total budget expenditure amounted to MNT 19.3 trillion, an increase of MNT 2.0 trillion, or 11.6 percent, compared to the same period of the previous year.

Inflation: Inflation rate stood at 8.8 percent in August, up 2.7 percentage points from the same period last year, 0.7 percentage points from the previous quarter. Inflation was primarily driven by higher prices for meat, vegetables, utilities and energy, housing rent, transportation and vehicle costs, and clothing. Import-driven inflation contributed 2.3 percentage points to headline inflation, largely reflecting price increases in non-food imported goods. Domestic goods and services inflation accounted for 6.5 percentage points of overall inflation, mainly due to rising prices of food and certain services.

Households: Household average nominal income reached MNT 3 million in the second quarter of 2025, largely supported by wage growth. In real terms, household income increased by 8.0 percent. In particular, a stronger employment rate—up 0.5 percentage points from the second quarter of 2024, and 0.4 percentage points from 2025Q1 – supported the income. Although, household spending on non-food goods and services slowed in the second quarter of 2025.

Labor market: In the first half of 2025, the number of employees increased by 43 thousand compared to the same period of the previous year, reaching 1 million 390 thousand. This increase was mainly due to the fact that the number of employees in the sector increased by 45 thousand compared to the same period of the previous year, due to the recovery of the agricultural sector. On the other hand, the number of unemployed citizens decreased by 16 thousand or 20 percent compared to the same period of the previous year, which slowed down the growth of the labor force. As a result, the labor force participation rate decreased by 0.3 percentage points to 61.9 percent. However, due to the increase in the number of employees, the employment rate increased by 0.5 percentage points to 59.1 percent compared to the same period of the previous year.

Loan: Outstanding loans in the banking sector reached MNT 42.3 trillion in August, marking a 23.6 percent increase compared to the same period last year. Growth in business lending was supported by loans to the wholesale and retail trade sectors contributing 5.6 percentage points, salary and pension-backed loans 4.9 percentage points, real estate activities 2.8 percentage points, construction 2.2 percentage points, agriculture 1.4 percentage points, mining and quarrying 1.3 percentage points, and other sectors 5.3 percentage points. The average interest rate on newly issued loans stood at 17.0 percent in August, up 0.1 percentage points year-on-year.

Real sector						
	unit	2024.I-II	2025.I-II	percent change	change (MNT)	
Nominal GDP	in MNT billion	37,420	40,262	7.6	2,843	
Real GDP	in MNT billion	14,419	15,257	5.8	838	
Household income (nominal)	in MNT million	2,509	2,951	17.6	442	
		2024.I-II	2025.I-II	percent change	change (thousand persons)	
Number of employees	thousand persons	1,347	1,390	3.2	43	
Labor force participation rate	percent	62.2	61.9	-0.3		
		2024.I-II	2025.I-II	percent change		
Real GDP growth (production approach)	percent	5.6	5.6	0.0		
<i>Mining</i>	percent	15.4	1.1	-14.3		
<i>Non-mining</i>	percent	4.2	6.3	2.1		
Agriculture	percent	-26.7	35.6	62.4		
Mining and quarrying	percent	15.4	1.1	-14.3		
Manufacturing	percent	6.3	5.8	-0.5		
Electricity, gas, steam, air conditioning supply	percent	5.3	8.4	3.1		
Construction	percent	19.5	25.2	5.7		
Wholesale and retail trade	percent	6.8	-5.7	-12.5		
Transportation and storage	percent	24.7	-12.5	-37.2		
Information and communication	percent	17.4	16.6	-0.8		
Other service activities	percent	7.1	4.5	-2.6		
Taxes less subsidies on products	percent	15.0	0.9	-14.1		
Real GDP growth (expenditure approach)	percent	5.6	5.7	0.1		
Final consumption	percent	18.3	6.7	-11.6		
Private	percent	16.4	9.9	-6.5		
Public	percent	25.1	-3.7	-28.8		
Gross capital formation	percent	30.8	7.9	-22.9		
Net exports of goods and services	percent	-82.2	-10.2	72.0		
		2024.08	2025.08	change (% points)		
Inflation (at the end of time)	percent	6.1	8.8	2.7		
Food	percent	7.4	9.9	2.5		
Non-food	percent	6.2	8.4	2.2		
Domestic goods	percent	8.2	12.4	4.2		
Imported goods	percent	3.9	4.9	1.0		
General government accounts						
		2024.08	2025.08	percent change	change (MNT)	
Total revenue and grants	in MNT billion	19,880	19,308	-2.9	-572	
Structural revenue and grants	in MNT billion	18,890	18,072	-4.3	-818	
Tax revenue	in MNT billion	17,743	16,618	-6.3	-1,125	
Income tax	in MNT billion	5,965	5,245	-12.1	-721	
Social security contributions	in MNT billion	2,865	3,475	21.3	610	
Property tax	in MNT billion	270	369	36.5	99	
Value added tax	in MNT billion	3,755	3,786	0.8	31	
Excise tax	in MNT billion	724	702	-3.0	-22	
Special tax revenue	in MNT billion	17	17	-1.2	0	
Customs duties and export taxes	in MNT billion	1,144	1,213	6.0	69	
Other taxes, fees and charges	in MNT billion	3,003	1,811	-39.7	-1,191	
Non-tax revenue	in MNT billion	1,148	1,454	26.7	306	
Total expenditure and net lending	in MNT billion	17,318	19,320	11.6	2,001	
Current expenditure	in MNT billion	13,683	16,002	16.9	2,319	
Capital expenditure and net lending	in MNT billion	3,353	3,234	-3.5	-118	
Net lending	in MNT billion	283	84	-70.4	-199	
Overall balance	in MNT billion	2,562	-12	-100.5	-2,574	
Primary balance	in MNT billion	3,460	1,173	-66.1	-2,286	
Structural balance	in MNT billion	1,572	-1,248	-179.3	-2,820	

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External sector					
	unit	2024.08	2025.08	percent change	change (\$)
Exports	million USD	10,625	9,158	-13.8	-1,467
Imports	million USD	7,502	7,477	-0.3	-25
Trade balance	million USD	3,123	1,681	-46.2	-1,442
Trade turn over	million USD	18,127	16,635	-8.2	-1,492
<i>Main export products (value)</i>					
Coal	million USD	6,126	3,372	-45.0	-2,754
Lignite	million USD	70	118	69.0	48
Copper concentrates	million USD	1,971	3,444	74.7	1,473
Gold	million USD	585	550	-6.0	-35
Crude oil	million USD	223	180	-19.4	-43
Iron ores and concentrates	million USD	399	401	0.5	2
<i>Main export products (quantity)</i>					
Coal	million tons	53.7	49.4	-8.1	-4
Lignite	million tons	1.7	3.6	109.3	2
Copper concentrates	thousand tons	1,039	1,454	39.9	415
Gold	tons	8.0	5.4	-31.7	-3
Crude oil	thousand barrel	2,755	2,386	-13.4	-369
Iron ores and concentrates	thousand tons	4,848	5,605	15.6	758
<i>Price</i>					
Coal*	\$/tons	114	68	-40.1	-46
Lignite*	\$/tons	41	33	-19.2	-8
Copper concentrates*	\$/tons	9,118	9,496	4.1	378
Gold*	\$/ounce	2,360	3,250	37.7	890
Crude oil*	\$/barrel	81	75	-6.9	-6
Iron ores and concentrates*	\$/tons	82	71	-13.1	-11
*Border price					
<i>Import</i>					
Consumption	million USD	2,612	2,818	7.9	206
Food	million USD	735	780	6.2	45
Fuel	million USD	415	392	-5.5	-23
Passenger cars	million USD	684	806	17.8	122
Industrial inputs	million USD	1,716	1,575	-8.2	-141
Chemical products	million USD	172	173	0.1	0
Diesel fuel	million USD	881	850	-3.5	-31
Electricity	million USD	128	139	8.4	11
Investment products	million USD	3,166	3,076	-2.8	-89
Machinery and equipment	million USD	2,277	2,098	-7.9	-179
Construction materials	million USD	878	969	10.3	91
Others	million USD	10	12	28.7	3
		2024.08	2025.08	percent change	change (\$)
Gross official reserves	million USD	4,704	5,683	20.8	979
Exchange rate (start of year)	MNT/USD	3,385	3,385	0.0	0.0
		2024.08	2025.08		change (\$)
Balance of payments	million USD	-136	5		141
Current account balance	million USD	-1,197	-1,816	51.7	-619
Good and service exports	million USD	11,098	10,017	-9.7	-1,080
Good and service imports	million USD	10,618	10,399	-2.1	-219
		2024.I-II	2025.I-II	percent change	change (\$)
FDI	million USD	2,231	1,361	-39.0	-870
Mining	million USD	1,866	1,006	-46.1	-860
Non-mining	million USD	365	355	-2.8	-10
Monetary indicators					
		2024.08	2025.08	percent change	change (MNT)
Money supply growth	percent	27.3	6.5		
Loan growth	percent	33.6	23.6		
Money supply	billion MNT	41,565	44,286	6.5	2,721
Total outstanding loans	billion MNT	34,224	42,295	23.6	8,071
Non-performing loans	billion MNT	1,970	2,196	11.5	226
Non-performing loans to total loans ratio	percent	5.8	5.2		
Weighted average loan interest rate	percent	17.0	17.0		

Appendix

SELECTED ECONOMIC INDICATORS

	2023 Q1	2023 Q2	2023Q3	2023Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2
REAL SECTOR										
Nominal GDP (in MNT billion)	13,971	30,980	47,388	70,442	16,544	37,005	55,428	80,663	17,401	40,262
Real GDP growth – production approach (percent change)	8.0	6.7	7.2	7.4	8.1	5.7	5.2	5.1	2.6	5.6
Real GDP growth – expenditure approach (percent change)	7.9	6.3	7.2	7.2	7.9	5.6	4.9	5.1	2.5	5.7
Domestic demand (percentage points)	-2.5	-7.1	-1.5	5.4	32.6	27.6	25.4	21.2	8.2	10.4
Exports of goods and services (percentage points)	44.4	37.1	27.7	18.0	-7.5	-1.8	-2.0	0.5	-2.4	-3.0
Imports of goods and services (percentage points)	-34.0	-23.7	-19.0	-16.2	-17.2	-20.3	-18.6	-16.6	-3.2	-1.7
Contribution to real GDP growth (percentage points)										
Final consumption	4.1	7.7	9.7	7.0	17.8	16.7	13.2	11.5	9.0	6.9
Private	2.0	4.7	6.3	6.3	12.2	11.7	9.8	8.7	9.7	7.8
Public	2.0	3.1	3.3	0.7	5.6	5.0	3.4	2.8	-0.7	-0.9
Gross capital formation	-6.6	-14.9	-11.2	-1.6	14.8	10.9	12.3	9.7	-0.8	3.5
Net exports of goods and services	10.4	13.4	8.8	1.8	-24.7	-22.0	-20.6	-16.1	-5.6	-4.7
PRICES										
Consumer prices (eop, percent change)	12.2	11.6	11	10.4	7.2	6.5	6.4	6.8	9.1	8.4
Copper prices* (\$/ton)	8,919	8,695	8,582	8,479	8,443	9,094	9,132	9,145	9,330	9,510
Gold prices* (\$/troy ounce)	3,123	2,829	2,695	2,647	2,452	2,641	2,297	2,779	2,840	3,289
GDP deflator (percent change)	33.4	24.4	23.1	21.8	9.2	12.5	10.7	8.2	12.5	3.0
	(in MNT billion)									
GENERAL GOVERNMENT ACCOUNTS										
Total revenue and grants	5,073	11,059	17,653	24,387	7,673	14,947	22,350	31,375	6,432	14,033
Structural revenue and grants	4,795	10,581	16,908	23,295	7,322	14,199	21,290	29,589	6,150	13,215
Total expenditure and net lending	4,138	9,034	14,750	22,509	5,695	12,911	19,822	30,365	6,503	13,973
Total balance	935	2,025	2,903	1,878	1,978	2,036	2,528	1,010	-70	59
Primary balance	1,267	2,539	3,830	3,028	2,380	2,631	3,486	2,205	338	801
Structural balance	657	1,548	2,158	786	1,627	1,287	1,469	-776	-353	-758
MONETARY SECTOR										
Broad money growth (percent change)	16.8	13.8	20.9	26.8	20.9	31.9	25.9	15.2	10.9	3.7
Reserve money growth (percent change)	4.7	2.6	22.6	7.4	11.7	29.6	5.8	51.9	81.3	43.5
Velocity of money	1.9	2.0	2.0	1.9	2.0	1.8	1.9	1.8	2.0	1.9
Money multiplier	5.7	5.4	5.3	5.2	6.1	5.5	6.3	3.9	3.8	4.0
Credit growth** (percent change)	8.4	11.5	14.0	22.7	22.3	27.3	31.3	31.0	31.2	25.8
	(in USD million)									
Balance of payments										
Balance of payments	80	474	791	1,457	373	-57	-251	622	-602	-450
Current account balance	315	221	430	121	-537	-957	-1,701	-2,485	-959	-1699
Gross official reserves	3,438	3,818	4,124	4,921	5,250	4,839	4,663	5,510	4,996	5,206
monthly need of goods and service imports	3.2	3.5	3.7	4.4	4.4	3.9	3.5	4	4	4
In months of imports of G&S										
MNT/USD (average)	3,499	3,482	3,475	3,466	3,392	3,386	3,384	3,390	3,454	3,511
MNT/USD (eop)	3,518	3,433	3,460	3,411	3,376	3,381	3,381	3,420	3,488	3,581
Nominal effective exchange rate (average)	35.5	36.3	37.1	37.6	39.4	39.6	39.5	39.6	39.3	37.02
Real effective exchange rate (average)	101.9	106.1	109.3	111.1	117.1	118.7	118.9	120.2	126.8	120.68

*Bloomberg Terminal

**Includes mortgage-backed securities

REAL SECTOR

	2023 Q1	2023 Q2	2023 Q3	2023Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2
nal GDP (production approach)	13,971	30,980	47,388	70,442	16,544	37,005	55,428	80,663	17,401	40,262
GDP (production approach)	5,630	13,661	21,751	30,567	6,084	14,446	22,891	32,133	6,245	15,257

(percent change)

GDP growth	8.0	6.7	7.2	7.4	7.9	5.6	5.0	4.9	2.4	5.6
ig	48.7	44.9	32.7	23.4	13.3	15.4	11.4	10.8	0.8	1.1
ig	3.2	3.0	4.3	5.4	7.0	4.2	4.0	4.0	2.7	6.3
ining	-5.1	-9.9	-9.5	-8.9	-24.8	-26.7	-25.0	-28.7	35.6	35.6
ulture	48.7	44.9	32.7	23.4	13.3	15.4	11.4	10.8	0.8	1.1
ig and quarrying	-6.8	1.6	3.9	5.1	4.9	6.3	0.1	-1.2	3.7	5.8
ifactoring	4.0	4.7	5.1	5.0	7.7	5.3	5.2	4.8	5.5	8.4
ricity, gas, steam, air conditioning supply	1.2	3.2	4.1	3.1	27.7	19.5	7.8	10.4	-1.1	25.2
truction	10.0	7.4	7.0	6.8	6.0	6.8	7.9	6.6	-5.8	-5.7
esale and retail trade	76.6	74.3	58.6	39.6	26.9	24.7	15.7	23.1	-21.6	-12.5
ortation and storage	5.4	11.9	16.9	17.0	27.5	17.4	14.4	15.5	16.5	16.6
nation and communication	1.6	2.3	3.3	5.8	3.4	7.1	8.6	7.8	7.1	4.5
r service activities	-3.7	2.4	4.1	6.6	13.1	15.0	14.6	16.1	-2.3	0.9
: less subsidies on products	33.4	24.4	23.1	21.8	9.2	12.5	10.7	8.2	12.5	3.0

(percentage change)

Contributions to real GDP growth										
ulture	-0.2	-1.7	-1.6	-1.3	-1.0	-3.9	-3.5	-3.6	1.0	3.6
ig and quarrying	5.1	3.9	3.3	2.6	1.9	1.8	1.4	1.4	0.1	0.1
ifactoring	-0.5	0.1	0.3	0.4	0.3	0.4	0.0	-0.1	0.2	0.3
ricity, gas, steam, air conditioning supply	0.2	0.1	0.1	0.1	0.3	0.2	0.1	0.1	0.2	0.3
truction	0.0	0.0	0.1	0.1	0.2	0.3	0.1	0.3	0.0	0.4
esale and retail trade	1.1	0.8	0.8	0.8	0.7	0.7	0.9	0.7	-0.6	-0.7
ortation and storage	2.2	1.9	2.2	1.8	1.3	1.0	0.9	1.3	-1.2	-0.6
nation and communication	0.2	0.4	0.5	0.5	0.9	0.6	0.5	0.5	0.6	0.6
r service activities	0.6	0.7	1.0	1.7	1.2	2.1	2.4	2.2	2.4	1.4
: less subsidies on products	-0.7	0.4	0.6	0.8	2.1	2.3	2.1	2.0	-0.4	0.2

(in MNT billion)

nal GDP(expenditure approach)	14,695	30,540	48,503	71,202	16,659	36,790	56,704	80,208	17,911	40,307
try income	-1,520	-3,566	-5,344	-7,738	-2,054	-4,905	-7,388	-9,102	-1,920	-4,399
: national income	13,175	26,974	43,158	63,463	14,604	31,886	49,316	71,106	15,991	35,908
rdary income	476	623	1,176	1,378	571	823	1,405	1,435	488	611
: national disposable income	13,651	27,597	44,334	64,841	15,175	32,708	50,721	72,541	16,479	36,519
estic demand	12,542	26,812	42,828	64,404	17,005	35,953	56,479	81,027	19,786	42,483
nal savings	4,614	8,847	15,264	24,317	3,349	7,750	12,644	20,186	2,198	7,020
: capital formation	3,506	8,062	13,758	23,880	5,179	10,994	18,402	28,672	5,506	12,984

GENERAL GOVERNMENT ACCOUNTS

2023 Q1 2023 Q2 2023 Q3 2023 Q4 2024 Q1 2024 Q2 2024 Q3 2024 Q4 2025 Q1 2025 Q2

(in MNT billion)

TOTAL REVENUE AND GRANTS	5,073	11,059	17,653	24,387	7,673	14,947	22,350	31,375	6,432	14,033
Future heritage fund	0	0	161	416	284	528	694	841	209	464
Stabilization fund	278	478	585	676	67	221	366	444	74	222
STRUCTURAL REVENUE AND GRANTS	4,795	10,581	16,908	23,295	7,322	14,199	21,290	29,589	6,150	13,215
Tax revenue	4,535	9,841	15,819	21,484	6,909	13,291	19,952	27,377	5,795	12,173
Income tax	1,431	2,552	4,346	5,703	2,557	4,266	6,402	8,981	2,017	3,742
Social security contributions	833	1,795	2,744	3,951	920	2,105	3,322	4,700	1,185	2,568
Property tax	63	199	292	395	109	240	335	460	141	321
Value added tax	982	2,182	3,399	4,777	1,286	2,777	4,313	5,864	1,250	2,884
Excise tax	166	374	593	790	280	515	819	1,098	295	553
Special tax revenue	5	10	16	22	6	13	19	26	7	12
Customs duties and export taxes	314	686	1,063	1,465	352	813	1,315	1,792	394	900
Other taxes, fees and charges	741	2,044	3,366	4,382	1,398	2,561	3,426	4,455	506	1,193
Non-tax revenue	260	740	1,089	1,811	413	908	1,338	2,212	354	1,042
General non-tax revenue	228	620	898	1,452	339	717	1,036	1,770	327	930
Capital revenue	1	1	4	8	1	2	5	7	1	4
Grant revenue	31	119	188	351	73	188	297	435	26	109
TOTAL EXPENDITURE AND NET LENDING	4,138	9,034	14,750	22,509	5,695	12,911	19,822	30,365	6,503	13,973
Current expenditure	3,670	7,557	11,820	17,091	4,698	10,376	15,551	22,067	5,900	12,183
Wages and salaries	457	951	1,547	2,327	1,081	2,585	3,706	5,363	1,511	3,314
Purchase of goods and services	482	1,093	1,611	2,758	687	1,660	2,432	4,082	720	1,759
Subsidies	122	266	382	580	134	367	649	955	243	435
Current transfers	2,277	4,732	7,353	10,276	2,394	5,170	7,807	10,472	3,017	5,934
Interest payments	333	514	926	1,150	402	595	958	1,195	408	741
<i>Foreign</i>	306	460	855	1,054	395	582	943	1,146	407	570
<i>Domestic</i>	26	54	71	96	6	13	15	49	1	171
Capital expenditure and net lending	468	1,477	2,930	5,418	997	2,535	4,271	8,299	602	1,790
Capital expenditure	488	1,444	2,827	5,188	843	2,296	3,967	7,924	592	1,754
Net lending	-20	33	103	229	154	239	304	374	10	36
OVERALL BALANCE	935	2,025	2,903	1,878	1,978	2,036	2,528	1,010	-70	59
PRIMARY BALANCE	1,267	2,539	3,830	3,028	2,380	2,631	3,486	2,205	338	801
STRUCTURAL BALANCE	657	1,548	2,158	786	1,627	1,287	1,469	-776	-353	-758
FINANCING SOURCES	-657	-1,548	-2,158	-786	-1,627	-1,287	-1,469	776	353	758
Foreign	944	111	28	1,041	-67	-72	-197	3,414	76	15
<i>Government bond*</i>	1,009	-262	-262	97	-573	-573	-573	2,623	300	300
<i>Government borrowing*</i>	-65	374	290	944	506	501	376	791	-224	-285
Domestic	-1,601	-1,659	-2,186	-1,827	-1,560	-1,216	-1,272	-2,637	277	743
<i>Net change in current and savings accounts</i>	-1,402	-1,276	-1,687	-1,028	-1,530	-1,123	-1,134	-3,001	277	583
<i>Government bond*</i>	-199	-384	-501	-801	-30	-93	-138	363	0	160
<i>Government borrowing*</i>	0	0	0	0	0	0	0	0	0	0
<i>Privatization</i>	0.37	0.59	2.48	2.55	0.04	0.11	0.11	0.84	0.03	0.08
<i>Transfer from the Future heritage fund</i>	0	0	0	0	0	0	0	0	0	0
<i>Stabilization fund accumulated balance</i>	0	0	0	0	0	0	0	0	0	0
<i>Others</i>	0	0	0	0	0	0	0	0	0	0

*Net amount

BALANCE OF PAYMENTS

2023Q1 2023Q2 2023Q3 2023Q4 2024Q1 2024Q2 2024Q3 2024Q4 2025Q1 2025Q2

(in USD million)

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

MONETARY SECTOR

	2023 Q1	2023 Q2	2023Q3	2023Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2
	(in MNT billion)									
Foreign assets	3935	3998	6607	8959	9775	9865	8437	8704	5282	3923
Domestic assets	27004	27450	26604	28665	27625	31603	33366	34630	36202	39076
Domestic claims (net)	25335	26874	26600	29106	28477	32296	34091	35343	37667	40652
Other items (net)	1669	576	4	-441	-852	-694	-726	-714	-1466	-1576
Money	30939	31448	33211	37624	37400	41467	41803	43334	41483	42999
Currency outside depository corporations	767	822	838	906	827	1040	961	978	916	937
Currency and deposits	30171	30626	32373	36719	36573	40428	40841	42356	40568	40652
	(percent change)									
1-year money	16.8	13.8	20.9	26.8	20.9	31.9	25.9	15.2	10.9	3.7
foreign assets	222.7	436.9	740.4	259.6	148.4	146.7	27.7	-2.8	-46.0	-60.2
domestic assets	6.9	2.1	-0.3	5.5	2.3	15.1	25.4	20.8	31.0	23.6
domestic claims (net)	-0.5	0.3	1.6	13.5	12.4	20.2	28.2	21.4	32.3	25.9
Net claims on government	171.3	216.7	152.0	91.3	57.9	53.9	30.1	64.2	13.4	36.6
Net claims on other sectors	8.7	10.6	12.3	19.8	18.5	24.8	28.5	27.0	28.9	20.6
Claims on public sector	-5.9	-13.5	-13.4	-16.7	-8.6	13.2	0.2	13.1	4.6	76.3
Claims on private sector	9.5	11.8	13.6	21.7	19.8	25.2	29.6	27.5	29.9	25.5
	(percentage points)									
Contributions to broad money growth	16.8	13.8	20.9	26.8	20.9	31.9	25.9	15.2	10.9	3.7
foreign assets	10.3	11.8	21.2	21.8	18.9	18.7	5.5	-0.7	-12.0	-14.3
domestic assets	6.6	2.0	-0.3	5.0	2.0	13.2	20.4	15.9	22.9	18.0
andum items:										
Quantity of money	1.9	2.0	2.0	1.9	2.0	1.8	1.9	1.8	2.0	1.9
Real GDP growth (percent change)	44.1	32.7	32.0	30.8	17.9	18.8	16.2	13.5	15.2	12.0
Consumer prices (eop, percent change)	12.2	11.6	11.0	10.4	7.2	6.5	6.4	6.8	9.1	8.2

