

MONGOLIA



HIGHLIGHTS

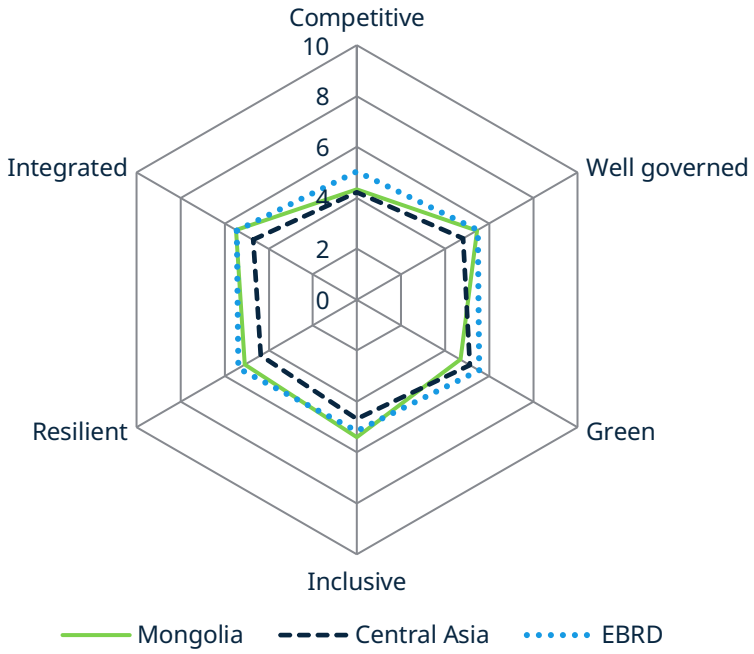
- **Economic growth accelerated in the first half of 2026.** Real gross domestic product (GDP) grew 7.7 per cent year on year, largely driven by mining sector expansion amid robust demand from China. Coal output also benefited from a low base effect the previous year.
- **Broad legislative reform strengthened the business environment.** The Law on Economic Freedom and related amendments enhanced investor protection, reduced barriers to business activity and expanded access to capital markets.
- **Renewable-energy procurement became more market oriented.** The country held its first competitive renewable-energy auction in June 2026, supporting private-sector participation in new generation capacity and broader efforts to reduce the country's dependence on imported fuel and energy.

For more information about country macroeconomic developments, please consult our latest Regional Economic Prospects report.

KEY PRIORITIES FOR 2027

- **Preserve fiscal discipline amid reform implementation.** With tax amendments taking effect in 2027 and spending pressures increasing as a result of higher wages and social support, the authorities should carefully evaluate additional commitments, such as the proposed pension reform, and strengthen fiscal buffers. This is particularly important given the budget's dependence on volatile commodity revenues.
- **Strengthen energy security.** While some progress has been made on expanding fuel storage capacity and diversifying fuel supply sources, the country remains vulnerable to external supply disruptions. The authorities could boost resilience by completing the long-delayed domestic oil refinery, expanding strategic fuel reserves and accelerating the energy transition.
- **Reduce the state's footprint in the economy.** Recent measures to promote economic freedom and reform state-owned enterprises (SOEs), including adopting the new SOE Governance Law, should be followed by concrete steps to strengthen the law's implementation and provisions, improve governance and increase private-sector participation.

ASSESSMENT OF TRANSITION QUALITIES (1-10)



For more on reforms and transition qualities, see Chapter 5 of the Transition Report 2026-27.

KEY REFORMS AND POLICY DEVELOPMENTS[1]

Business climate

- In July 2026 parliament adopted the Law on Economic Freedom and a broader legislative package, which introduced wide-ranging reforms. These include a reduction in withholding tax on interest income, the extension of capital-market tax incentives and the removal of foreign ownership limits in the banking sector. The reforms also strengthened investor protections and simplified business regulations to attract investment and deepen capital markets.
- In January 2026 the government launched an Investor Protection Centre to provide one-stop investor support, resolve grievances before they reach court and relay business concerns to the government, enhancing transparency and investor confidence.

Tax reform

- In June 2026 parliament approved tax amendments, effective January 2027, to ease compliance and support business activity.
- Key changes include raising the value-added tax (VAT) registration threshold from MNT 50 million (€12,100) to MNT 400 million (€97,100), increasing the simplified regime threshold to MNT 2.5 billion (€600,000), and easing taxation for individuals and self-employed workers.

SOE reform

- In July 2026 the government signed a memorandum of understanding with Franklin Templeton to support SOE reform and prepare certain firms for potential domestic and international listings through a national investment fund.
- The reform aims to improve SOE governance, transparency, profitability and investment readiness ahead of any potential market offering.

Amendments to the draft Minerals Law

- Long-awaited amendments to the Minerals Law were approved by parliament in October 2026.
- The reforms will modernise the mining sector framework by simplifying exploration licensing, strengthening the regulation of critical minerals and mineral processing, and increasing local revenue sharing. Together, the measures aim to attract investment, revive exploration activity and enhance the sector's contribution to local development.

Energy security and renewable energy procurement

- In spring 2026 the government adopted a resolution to reduce dependence on imported fuel and energy by developing five solar power plants with battery storage, for a combined capacity of 220 MW of solar generation and 135 MW/440 MWh of storage. The projects are planned for completion ahead of the winter peak.
- The projects were awarded to the winning bidders through the country's first competitive renewable-energy auction in June 2026, without state budget financing, thus supporting private-sector participation in renewable generation.

1 From the fourth quarter of 2025 to October 2026.

Wastewater recycling plant

- In March 2026 the country's first large-scale wastewater recycling plant began operations, processing up to 50,000 cubic metres per day for use by Ulaanbaatar's thermal power plants, reducing their reliance on groundwater and enhancing the capital city's water security.