Responding to the Coronavirus Crisis
Update on Mongolia (13/05/20)

Key short-term priorities
Provide debt relief and liquidity targeting SMEs and key exporting sectors, ensure food safety for vulnerable households

EBRD Policy Comparator

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Economic channels of disruption

External demand (mining, tourism), private consumption
- Moderate lockdown (schools, universities, public events, restaurants) causing slowdown in private consumption.
- Exports down, driven by 61% decline in coal exports in Jan-Mar 2020, severely affecting public revenues and external balance.
- Production of cashmere products and combed cashmere declined.
- Disruption to tourism (11% of GDP) is looming for the hospitality sector.
- The transportation sector (4.6% of GDP) affected by declining exports and imports and suspension of domestic and international travel.

Selected crisis impact indicators

- EBRD GDP growth outlook (May 2020)
  2020: -1% (November 2020)
  2021: 6% (January 2021)
- Exports (January-March 2020)
  -41.5% (y/y)
- World Economics Sales Managers’ Index (March 2020)
  <30 (down by 20 points since January 2020), the lowest in 7 years
- Exchange rate (1 January -12 May 2020)
  down 3%
- Sovereign bond spread to benchmark (7 May 2020)
  982 bps (up from 328bps on 1 January 2020)

Crisis response measures to date

Liquidity and solvency measures for households and businesses; focus on food affordability and key export-oriented sectors
- MNT 5.1 trillion (US$ 1.84 billion) stimulus package for affected businesses (SMEs, cashmere sector) and households, including subsidized loans for buyers of cashmere, and increased child benefits.
- Exemption of customs/VAT on basic foods: wheat, rice, sugar, vegetable oil.
- Stimulation of credit via reduced policy rate, lower reserve requirements on MNT.

Selected crisis response indicators

- Support to businesses
  All businesses are exempt from social insurance; SMEs (revenues < MNT 1.5 billion (US$ 540,000) exempt from corporate income tax.
  90-day relief on outstanding loans, rent subsidies in shopping areas, office buildings.
- Additional health expenditure
  MNT 200 billion (US$ 72 million) for disinfection, medical, protective equipment.
- Committed external assistance
  RFI requested by government from the IMF but approval requires prior cancellation of the ongoing EFF (which was off-track); ADB: US$ 100 million to mitigate COVID-19 impact.

To learn more about EBRD’s support to Mongolia visit: https://www.ebrd.com/mongolia.html
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