

Responding to the Coronavirus Crisis

Update on Mongolia (09/11/20)



EBRD Policy Comparator

Financial Sector			Direct support to firms					Payment holidays			Temporary controls		Support to individuals				Increased social benefits			Health	External Assistance
Policy rate reduced	Liquidity increased	Prudential req. loosened	Wage subsidies	Tax/ social sec. contr. deferred	Loan subsidies	Guarantees	Inspections/ audits suspended	Loans	Rent	Utilities	Prices	Exports	Universal transfers	Self-employed	Pensioners	Low income households	Enhanced sick leave	Enhanced unemp. benefits	Public works	Additional spending	(available or negotiated)
*	*	*	*	*	*	*		*	*		*		*		*	*		*		*	*

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 39% decline in coal exports in Jan-Sep 2020, severely affecting public revenues and external balance.
- Production of cashmere products and combed cashmere declined
- Disruption to tourism (11% of GDP) is affecting the hospitality sector
- The transportation sector (4.6% of GDP) affected by declining exports and imports and restrictions of domestic and international travel

Selected crisis impact indicators

EBRD GDP growth outlook 2020: -6.5%
(September 2020) 2021: 5%

Real GDP growth -9.7% (y/y)
(H1 2020)

Exports -13% (y/y)
(January-September 2020)

Exchange rate down 5%
(1 January -09 November 2020)

Sovereign bond spread to benchmark 355 bps (down from 1246 bps on 20 March 2020)
(06 November 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 subsidies to cashmere producers, 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 and social security contributions until the end of September

Additional health expenditure MNT 200 billion (US\$ 72 million) for disinfection, medical, protective equipment

Committed external assistance IMF: US\$ 99 million emergency assistance under RFI; ADB: US\$ 100 million loan to mitigate COVID-19 impact; WB: US\$ 27 million loan for COVID-19 emergency response and health system preparedness; Japan: US\$ 235 million emergency loan

Key short-term priorities

Provide debt relief and liquidity targeting SMEs and key exporting sectors, ensure food safety for vulnerable households