

Responding to the Coronavirus Crisis

Update on Mongolia (13/05/20)



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) |
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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

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| EBRD GDP growth outlook (May 2020) | 2020: -1% 2021: 6% |
| Exports (January-March 2020) | -41.5% (y/y) |
| World Economics Sales Managers' Index (March 2020) | <30 (down by 20 points since Jan 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

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| 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 |

Key short-term priorities

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