

# Coronavirus response in 2021: building back better

## Update on Mongolia (20 December 2021)



### Covid-19: policy response

- **Mongolia has one of the highest vaccination rates in the world.** As of late June 2021, more than 60 per cent of its population had been fully vaccinated.
- **A comprehensive stimulus plan to protect health and revive the economy was approved in February 2021.** Largely financed by the central bank, the package (around 27 per cent of GDP) will be implemented in 2021-23. It includes measures to improve access to credit, save jobs, provide housing and promote manufacturing, agriculture and non-mining exports.
- **The Bank of Mongolia will increase funding for companies.** The planned increases include: repurchase agreement (repo) funding up by MNT 2 trillion (US\$ 700 million) per year; funding for small and medium-sized enterprises (SMEs) up by MNT 500 million (US\$ 175,000); and funding for non-mining exporters up by MNT 3 billion (US\$ 1 million).

### Macroeconomic indicators (per cent)

	2018	2019	2020	Short-term indicators
GDP growth	7.2	5.1	-5.3	<b>EBRD GDP growth forecast (Nov 2021) 2021: 6.1%; 2022: 6.5%</b>
Annual inflation (year end)	6.8	7.3	3.7	Real GDP growth: 3.6 % (Jan-Sep 2021 y/y)
Government balance/GDP	3.0	0.8	-9.7	Retail trade: 20.0% (Jan-Sep 2021, y/y)
Current account balance/GDP	-16.8	-15.6	-4.4	Exports: +26.2% (Jan-Oct 2021, y/y)
Net FDI/GDP	-14.9	-17.6	-6	Inflation: 9.7% (Oct 2021, y/y)
Public debt/GDP (year end)	72.6	69.5	69.6	Sovereign bond yields: 4.57% (3 Dec 2021)
Unemployment rate (year end)	6.25	6.01	5.95	

### Key short-term priorities

- Strengthen fiscal buffers and avoid the risk of overheating.
- Resolve differences with Rio Tinto over the Oyu Tolgoi project – a major concern for Mongolia’s investment climate.
- Banking-sector reforms should be advanced and take into account the absorption capacity of domestic capital markets.

### EBRD assessment of transition qualities (ATQs), 2021<sup>1</sup>



### Building back better: key ongoing initiatives

<b>Competitive</b>	<ul style="list-style-type: none"> <li>• Five systemically important banks will conduct initial public offerings on the stock market by June 2022, with a cap on bank shareholder rights at 20 per cent.</li> </ul>
<b>Well-governed</b>	<ul style="list-style-type: none"> <li>• A newly introduced Civil Service Law aims to improve civil-service practices and management and to enhance competencies.</li> </ul>
<b>Green</b>	<ul style="list-style-type: none"> <li>• The country’s ability to deliver on its Nationally Determined Contribution pledges will be stretched by the government’s July 2021 decision to build a new coal-fired power plant.</li> </ul>
<b>Inclusive</b>	<ul style="list-style-type: none"> <li>• In April 2021, the government launched a one-time cash handout equivalent to MNT 1 trillion (US\$ 350 million, or about 3 per cent of GDP) to support households.</li> </ul>
<b>Resilient</b>	<ul style="list-style-type: none"> <li>• The World Health Organization, Asian Development Bank and European Union are providing support to Mongolia for its healthcare system.</li> <li>• Banking-sector reform will enhance transparency and capital-market development.</li> </ul>
<b>Integrated</b>	<ul style="list-style-type: none"> <li>• During the third meeting of the Russia-Mongolia Intergovernmental Commission on Cooperation in Trade, Economy, Science and Technology, the countries discussed implementation of key infrastructure projects.</li> </ul>
<b>Digital</b>	<ul style="list-style-type: none"> <li>• The launch has taken place of E-Mongolia, an integrated digital government service system.</li> </ul>