



Mongolia: Market Profile

Major Economic Indicators

	2013	2014	2015	2016
GDP (US\$ bn)	11.5	11.2	11.7	11.1
Real GDP growth (%)	11.6	7.8	2.5	1.0
Inflation (%)	11.9	11.0	1.9	1.1
Exports (US\$ mn)	4,269	5,775	4,669	4,917
	(-2.6%)	(+35.3%)	(-19.1%)	(+5.3%)
Imports (US\$ mn)	6,358	5,237	3,797	3,358
	(-5.6%)	(-17.6%)	(-27.5%)	(-11.6%)
Exchange rate ¹ (Togrogs/US\$)	1,524	1,818	1,970	2,145

¹ Period average

Source: National Statistical Office of Mongolia, Central Bank of Mongolia, Asian Development Bank

Recent economic performance

GDP growth slowed further in 2016 as household consumption declined despite more government consumption and capital formation. The gross output of mining and quarrying increased by 17% in 2016 while the output of manufacturing declined by 3%.

Per capita GDP was estimated to be US\$4,182 in 2015. Unemployment rate stood at 8.6% in the last quarter of 2016. Stable food and fuel prices contributed to a low inflation at in 2016.

It is generally expected that a main driver of growth will be the development of the second phase of the Oyu Tolgoi copper and gold mine. The *Asian Development Bank (ADB)* is forecasting Mongolia to grow by only 1.4% in 2017.

General background

Mongolia has a land area of 1.56 million sq kilometres. The population of Mongolia was estimated at 3.06 million in 2015. According to *Asian Development Bank*, poverty remains widespread, with about 21.6% of the population living below the national poverty line.

The political and business capital of Mongolia is Ulaanbaatar, which had an estimated population of 1.4 million in 2015. Other large cities are Erdenet and Darkhan which are having estimated population ranging from 80,000 to 90,000 only.



Mining is a major economic sector, including copper, gold, rare earth and coal. Some oil is produced in the south of the country. With a large primary sector, Mongolia is dependent on commodity prices, especially for cashmere wool and precious and industrial metals.

Mongolia is experiencing a mining boom in recent years, especially given China’s appetite for raw materials. Investment in the Oyu Tolgoi copper and gold mine (one of the largest in the world) is estimated to total more than US\$4 billion. The mine has started production in the second half of 2013. Another major coal deposit is at Tavan Tolgoi. Both mining projects are in Mongolia’s South Gobi desert.

The development of Mongolian light industry was designed to add value to the raw materials produced by animal husbandry, beginning with wool washing, spinning and animal skin-processing. Later the sector extended to the production of shoes, carpet, leather and skin garments. There are also meat processing and flour plants.

International trade and Investment

Mongolia basically has a free trade regime. It became a *WTO* member in 1997. There is an import tariff of 5% for most of the goods. There is also a 10% VAT on imported items.

Major exports are mineral products (87% in 2015) followed by textiles. Exports of coal, copper, iron ore and crude oil have a total weight of 74% of total exports. Leading export destination is China which accounted for 84% of total exports in 2015. It is reported that China is also the leading foreign investor in Mongolia.

Mongolia has a relatively weak industrial base and need to rely on imports for consumer goods. Major imports are consumer goods (29% of total imports), capital goods such as machinery, equipment & electrical appliances (38%) and fuels (19%). Major source of imports are China (37% of total imports in 2015) and Russia (27%).

Foreign investment is essential in order to exploit the extensive mineral deposits across Mongolia. The revised *Investment Law* went into effect in November 2013. Any domestic or foreign investor may invest in any industry or sector without any limitation or government approval, except that any foreign state owned enterprise (SOE) investing in more than 33% of an entity in the minerals, communication or financial sectors must obtain approval from the Invest Mongolia Agency. The *Investment Law* also offers certain tax incentives, such as exemption from the payment of certain taxes.

The togrog (the local currency) and the US\$ are freely convertible in Mongolia and both currencies are in circulation.

Hong Kong’s Trade with Mongolia

	2015		2016	
Exports (US\$ mn)	31.5	(+11.9%)	27.1	(-14.0%)
Imports (US\$ mn)	2.8	(+146.0%)	7.4	(+170.0%)
Total Trade (US\$ mn)	34.3	(+17.0%)	34.5	(+0.8%)

Source: Hong Kong Census and Statistics Department



Major exports from Hong Kong to Mongolia included telecommunication equipment, office machine, machinery & tools, computers, non-alcoholic beverages and footwear.

More Information

More information on investment environment and regulations can be found at [Invest Mongolia Agency](#) and [The Belt and Road Initiative: Country Business Guides](#).

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<http://china-trade-research.hktdc.com/business-news/article/The-Belt-and-Road-Initiative/Mongolia-Market-Profile/obor/en/1/1X000000/1X0A375A.htm>

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