

Coronavirus and Mongolian Economy (Summary)

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The Mongolian government took anti-COVID-19 pandemic measures in 2020, which led to a significant economic contraction characterized by a decline in exports and imports, reduced domestic production and decreased service revenues. The country experienced an economic downturn of 10.7 % and 9.1 % in the first and second quarters, respectively, corresponding to a 9.7 % decline in the first half of the year. This was mainly due to a 30 % reduction of value-added in the mining and quarrying sectors. Value-added generated in the mining and quarrying sectors accounted for 23.7 % of Mongolian GDP in 2019. In the first half of 2020, Mongolia has conducted foreign trades with 135 countries, with China accounting for 56.2 % of total trade turnover and covering 74.7 % of all exports. Mining exports to China were expected to generate one-third of Mongolia's budget revenue in 2020. However, the COVID-19 pandemic made that nigh on impossible. As the Chinese economy stagnated and mineral demand declined, the general government budget revenue fell 21.4 % compared to the same time in 2019. The reduction in mineral exports to China led to a sharp decline in Mongolia's trade turnover and general government budget revenues. On the other hand, budget expenditures expanded greatly owing to increases in social spending, such as social insurance pensions/benefits (17.8 %) and welfare pensions/benefits (89.7 %). During the pandemic, the government is ethically required to pursue a people-oriented social welfare policy. However, excessive expansion of welfare outlays will strain the state budget and result in further economic slowdown. Therefore, continuing the unified budget policy to increase revenues corresponding to expenditures and strengthening budget discipline is crucial. Moreover, decision making that would jeopardize the accumulated budget resources must be avoided.

Keywords: pandemic, economic dependency, government budget, mining sector, export, import

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