



Mongolia Market Highlights: July 2025

Navigating Policy Shifts and Economic Diversification

August 2025

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1. Executive Summary

July 2025 proved to be a dynamic month for Mongolia, marked by significant policy initiatives and evolving economic indicators that will shape the investment landscape. The government, fresh from parliamentary elections, unveiled a 100-Day Action Plan, signaling a strong commitment to governance reform, anti-corruption, and a re-evaluation of state involvement in strategic mineral deposits. A notable development was President Khurelsukh's partial veto of the "Gold-3" National Campaign, underscoring a firm stance on environmental protection and adherence to constitutional principles. Economically, international financial institutions maintain robust GDP growth projections for 2025, primarily driven by mining and agriculture, yet persistent inflation and a sharply narrowed trade surplus in June highlight ongoing vulnerabilities to global commodity price fluctuations. Sectorally, while coal output faced headwinds, the impending commercial production of the Bayan Khundii gold mine offers diversification. Significant strides were made in renewable energy, infrastructure, and the digital economy, with new projects and strategic frameworks attracting international support. These developments collectively point to a market actively pursuing diversification and improved governance, presenting both opportunities and a need for careful navigation for foreign investors.

2. Political & Regulatory Developments

2.1 Government's 100-Day Action Plan Unveiled

In a proactive move following the recent parliamentary elections, the Government of Mongolia held an irregular session on July 7, 2025, to discuss and approve a draft Directive on Some Actions to Be Implemented within 100 Days.¹ This comprehensive plan was developed through collaborative efforts, incorporating proposals from various ministries, professional bodies, and researchers, aiming to address urgent and necessary actions across multiple sectors.¹

Key proposed actions within this directive include a drive to eliminate overlapping functions at all government levels, fostering a more compact and efficient administrative structure.¹ Critically for the investment community, the plan also mandates negotiations to determine the percentage of state shares with legal entities operating strategic mineral deposits.¹ This signals a potential shift in the government's approach to resource management, indicating a desire to assert greater national benefit from key mining projects. Such discussions could lead to changes in ownership structures or revenue-sharing models, requiring close monitoring by existing and prospective foreign investors in the mining sector. Further, the plan emphasizes strengthening primary cooperatives and establishing joint cooperatives with herder-members and small- and medium-sized enterprises¹, alongside a commitment to expedite the resolution of corruption and official misconduct cases of public concern.¹ Prime Minister Zandanshatar Gombojav stressed the importance of gathering public proposals to ensure the 100-day action plan genuinely reflects societal needs and public demand.¹ This immediate focus on governance reform and anti-corruption, coming swiftly after the elections, suggests a strategic effort to enhance institutional credibility and address public discontent, which could contribute to a more stable and transparent operating environment in the long term.

2.2 Presidential Veto on "Gold-3" National Campaign

On July 28, 2025, President Khurelsukh Ukhnaa partially vetoed Parliamentary Resolution No. 85, which pertained to the Implementation of the "Gold-3" National Campaign.³ This veto was grounded in two primary concerns: environmental protection and constitutional adherence. The "Gold-3" campaign itself was initiated by the government to increase Mongolia's foreign exchange reserves and alleviate pressure on the balance of payments and the Tugrik exchange rate.⁴

The President's first objection centered on Clause 5 of the resolution, which sought to amend previous 2020 resolutions (No. 46 and 47) to bring primary gold deposits into economic circulation.³ These 2020 resolutions had specifically designated certain lands as protected areas and adjusted boundary lines to expand special protections. President Khurelsukh warned that modifying these decisions to permit gold mining would "undermine legal protections and potentially shrink the nation's protected lands," emphasizing that while increasing the National Wealth Fund is important, it should not come at the expense of reducing state special protected areas, which are crucial for ecological balance and national security.³ This action demonstrates a firm political commitment to environmental sustainability, potentially prioritizing it over short-term economic gains from mining. It implies that future mining projects, particularly those in ecologically sensitive zones, may face more stringent environmental regulations and increased public and presidential scrutiny, aligning Mongolia more closely with global Environmental, Social, and Governance (ESG) investment principles.

Secondly, the President raised concerns regarding constitutional principles. Clause 3 of Resolution No. 85 stated that the resolution would become effective from the date the Amendment Law to the 2025 State Budget Law takes effect.³ The President noted that this provision "could infringe on his constitutional right to veto, as decisions must be made within five working days of receiving a law".³ This constitutional challenge highlights ongoing inter-branch dynamics within the Mongolian government. Such developments can impact the speed and predictability of policy implementation, as

legislative processes may become subject to greater checks and balances. For foreign investors, this underscores the importance of understanding the nuances of Mongolia's political system beyond just stated policies, as these dynamics can introduce an element of uncertainty into the regulatory environment.

2.3 Review of Tripartite Agreement on Labor and Social Partnership

Prime Minister Zandanshatar Gombojav initiated a review of the National Tripartite Agreement on Labor and Social Partnership for 2023–2025, with results due by July 30, 2025.¹ During a meeting with the President of the Confederation of Mongolian Trade Unions (CMTU), Tamir Enkhbaatar, the Prime Minister underscored the necessity of moving "social justice from slogan to practice" through the full implementation of this agreement.⁵ He specifically addressed past misappropriation of social insurance contributions and proposed establishing a council against corruption with citizen and trade union participation to monitor the agreement's implementation.⁵ This initiative reflects a governmental focus on strengthening social protection and labor rights, potentially leading to reforms in social insurance and labor laws. For businesses operating in Mongolia, this may translate into increased compliance requirements related to labor regulations and social contributions. However, a more robust and transparent social safety net could also foster greater social stability and a more productive workforce in the long run.

2.4 Mongolia Economic Forum 2025 Outcomes

The Mongolia Economic Forum 2025, held on July 8-9, under the theme "Together for Tomorrow," served as a key platform for the government to articulate its economic vision.⁷ Inaugurated by Prime Minister Gombojavyn Zandanshatar, the forum saw the government reiterating its commitment to investor-friendly policies and economic diversification.¹ Deputy Prime Minister Uchral emphasized that "Mongolia is entering a new phase of economic policy aimed at sustainable growth," and a core objective is "to work with globally respected institutions to raise investor confidence".⁹ This consistent message from high-ranking officials signals a strategic pivot away from an over-reliance

on a few commodities, aiming for broader, more sustainable growth. The emphasis on "investor confidence" directly addresses concerns about the business environment and indicates a proactive approach to attracting foreign capital. For international businesses, this suggests a growing array of opportunities beyond traditional mining, particularly in sectors aligned with the government's diversification goals, such as renewable energy, digital transformation, and value-added agriculture.

2.5 Establishment of Specialized Housing Finance Bank

On July 24, 2025, the Cabinet took a significant step by establishing a Working Group tasked with studying and developing proposals for the formation of a specialized bank for housing finance.¹⁰ This initiative aims to improve access to housing for citizens, a critical social need, and address existing challenges in securing stable long-term funding sources and attracting foreign investment for housing finance.¹⁰ The working group, led by First Deputy Prime Minister and Minister of Economy and Development Uchral Nyam-Osor, is mandated to draft a comprehensive proposal by August 13. Their focus will include developing a Law on Housing Finance in line with international best practices, creating a new Housing Finance Corporation, and supporting mortgage-backed and collateralized securities through tax policy measures.¹⁰ This move represents a structural reform in the financial sector designed to create a more robust and accessible housing market. For financial institutions, real estate developers, and construction companies, this opens up new avenues for investment and participation within a formalized housing finance ecosystem. It also aligns with Ulaanbaatar's "Year of Development" initiatives, which prioritize urban improvement and quality of life.¹²

3. Macroeconomic Update

3.1 Economic Growth Projections

Mongolia's economy is projected to maintain robust growth in 2025, with major international financial institutions providing consistent forecasts. The International Monetary Fund (IMF) projects a 6.0% GDP growth for 2025¹⁴, while the World Bank anticipates 6.3%¹⁵, and the Asian Development Bank (ADB) projects 6.6%.¹⁸ These optimistic projections are primarily driven by an expected surge in copper production, notably from the Oyu Tolgoi mine, and a gradual recovery in the agriculture sector following recent dzud-related livestock losses.¹⁵ The medium-term outlook for 2026-2027 also remains positive, with growth projected to average between 5.2% and 5.9%.¹⁶ The convergence of these high growth forecasts from leading international bodies indicates a strong underlying economic momentum, largely attributable to the mining sector's expansion. However, this also highlights the economy's continued reliance on commodities, making it susceptible to global price fluctuations. The IMF noted in June 2025 that the commodity boom began to lose momentum in early 2025, with a weaker outlook amid rising downside risks.²⁰

3.2 Inflation Trends

Inflation remains an elevated concern for the Mongolian economy. The ADB projects an inflation rate of 9.1% for 2025, while the IMF forecasts 9.5% for the same period.¹⁴ The Consumer Price Index (CPI) in Mongolia increased to 114.60 points in June 2025 from 114.40 points in May, with the year-on-year inflation rate standing at 8.20% in June 2025.²¹ Food inflation specifically was recorded at 5.60% in June 2025.²¹ These figures remain above the Bank of Mongolia's (BoM) target band, which was previously cited as 10%¹⁵ and 6±2% for 2024.²² The IMF's June 2025 statement attributed high inflation pressures to a "highly expansionary fiscal policy stance" and "rapid credit growth" during 2023-2024.²⁰ This suggests that government spending and domestic lending are fueling demand, pushing up prices. Persistent high inflation, despite central bank efforts, indicates ongoing demand-side pressures and potentially imported inflation, which could

erode real incomes and consumption growth, as the World Bank noted that weaker income growth and higher inflation are weighing on household purchasing power.¹⁶

3.3 Monetary Policy & Foreign Reserves

The Bank of Mongolia (BoM) continued its efforts to manage the country's financial stability. In June 2025, the BoM purchased 1,587.4 kilograms of precious metals, contributing to a total of 5.9 tons for the first half of 2025.²³ However, this figure represents a significant 24.3% decrease compared to the same period in 2024.²³ Mongolia's foreign exchange reserves stood at \$5.206 billion by the end of June 2025, showing a slight increase of 0.24% over the previous month but a 5.5% decrease since the beginning of the year.²⁵ The BoM has set a medium-term target to increase these reserves to at least \$6.5 billion.²⁵ The decline in gold purchases and the year-to-date decrease in foreign exchange reserves signal a tightening external balance and reduced buffers, potentially limiting the BoM's capacity to intervene in the currency market or cushion external shocks. The IMF's June 2025 statement also highlighted that declining coal export receipts in early 2025 led to a reduction in foreign exchange reserves and increased depreciation pressures.²⁰

In a notable monetary policy decision on July 7, 2025, the BoM's Monetary Policy Committee (MPC) revoked earlier policy decisions regarding pension loans, restoring them to their original terms.²⁷ This reversal was explicitly influenced by public complaints about limited loan access and financial hardship, as well as formal requests from the Government of Mongolia and Parliament Members.²⁷ While aimed at mitigating the debt burden for pensioners and addressing social concerns, this decision highlights a degree of political influence on monetary policy. Such interventions could potentially compromise the central bank's independence in maintaining financial sector stability, especially if not offset by other macro-prudential measures, and may introduce financial risks to the banking sector if the underlying issues of excessive borrowing are not robustly addressed.

3.4 Trade Balance

Mongolia's trade performance in July reflected ongoing challenges in its external sector. The country's trade surplus narrowed sharply to \$194.8 million in June 2025, a significant reduction from \$548.8 million in June 2024.²⁸ For the first half of 2025 (January-June), the trade surplus contracted even more substantially to \$1,053.2 million, down from \$2,511.1 million in the same period of 2024.²⁸

This contraction was primarily driven by a sharp decline in exports. Exports plunged by 22.8% year-on-year in June to \$1,183 million and decreased by 16.6% in H1 2025 to \$6,581.4 million.²⁸ The decline was largely attributed to lower sales of key commodities including coal, washed cashmere, crude oil, sheep and goat meat, and iron ore and concentrates.²⁸ This sharp contraction in the trade surplus, driven by declining commodity exports (especially coal), indicates increased vulnerability to global commodity price volatility and contributes to a widening current account deficit.

Conversely, imports rose by 0.5% in June to \$988 million and by 2.8% in H1 2025 to \$5,528.2 million.²⁸ This increase was mainly due to higher purchases of passenger cars, vehicle spare parts and components, mobile phones, and alcoholic beverages.²⁸

China remained Mongolia's dominant trading partner, accounting for 91.7% of outbound shipments (with coal and copper ores constituting 44% of these exports) and 38.3% of imports.²⁸ Russia followed as the second-largest import source (23.6%), with Japan third (12.7%).²⁸ The rising imports, while indicative of domestic demand and investment, further exacerbate the current account deficit, putting pressure on foreign exchange reserves and the Tugrik.

4. Sectoral Highlights

4.1 Mining Sector

The mining sector, a cornerstone of Mongolia's economy, presented a mixed picture in July. Mongolian Mining Corporation (MMC), a leading private mining company, released its unaudited operational update for Q2 2025, revealing a decline in coal output.²⁹ The combined run-of-mine (ROM) coal mining output from its Ukhua Khudag and Baruun Naran mines decreased by 7% quarter-on-quarter (QoQ) and a significant 28% year-on-year (YoY).²⁹ Washed coking coal sold also saw a 25% YoY decrease, although it did increase by 9% QoQ.²⁹ This decline in MMC's coal output and sales, coupled with the broader trend of falling international coal prices and overall export contraction, signals persistent challenges within the coal sector.

In a move to address inefficiencies and bolster state revenues, Prime Minister Zandanshatar Gombojav visited the Erdenes Tavan Tolgoi (ETT) mines and border stations.³¹ He ordered detailed checks of contracts and performance, with a directive for any discovered violations to be reported to legal authorities.³¹ The government's focus is on improving coal transportation and border crossing processes, activating exchange trading, enabling direct sales to end-users in China, and ultimately increasing state budget revenues.³¹ This direct intervention underscores the government's determination to improve efficiency and revenue capture from this critical state-owned asset, which could lead to increased transparency but also heightened scrutiny and potentially changing operational dynamics for companies involved in the coal supply chain.

On a more positive note, the Bayan Khundii (BKH) gold mine saw its processing plant commissioned in Q2 2025, with commercial production anticipated to commence within Q3 2025.²⁹ This development is significant as it offers a degree of diversification within the mining sector, providing a new source of mineral export revenue beyond the traditional dominance of coal and copper. The sale of gold to the Bank of Mongolia or its designated commercial banks will be subject to a 5.0% royalty tax by the government.²⁹

4.2 Energy & Renewable Energy Sector

Mongolia is actively pursuing a transition towards a more sustainable energy future, driven by ambitious targets and the need to address environmental challenges. The Just Energy Transition Forum, held on June 27, 2025, highlighted the country's heavy reliance on coal, which accounts for over 80% of its electricity generation, and projected a substantial increase in energy demand due to ongoing economic development.³²

The Mongolian government has set clear and ambitious targets: to increase the share of renewable energy in the national energy mix to 30% by 2030 and to achieve carbon neutrality by 2050.³³ Despite possessing vast renewable energy potential, estimated at 2,600 GW of wind and solar power, only a minuscule 0.06% is currently utilized.³² This significant untapped potential, combined with the government's strategic goals and the pressing need to combat severe air pollution (80% of which originates from coal combustion in Ulaanbaatar³²), presents a substantial green investment opportunity.

However, a critical barrier to fully harnessing this potential is the aging and inefficient national grid infrastructure, which is estimated to be 20-30 years behind that of developed countries and lacks sufficient capacity to integrate large-scale renewable energy projects.³² This implies that investments in renewable energy generation must be coupled with significant upgrades to transmission and distribution infrastructure, potentially through public-private partnerships, to truly unlock Mongolia's green energy capabilities. Progress is being made, with a tender for the Myangad 19.8 MW solar plant having a deadline of July 16, 2025.³⁵ Additionally, plans are in motion for a 100-hectare solar park and a 50-MW battery energy storage system in the Nalaikh district, signaling concrete steps towards energy diversification and modernization.³²

4.3 Infrastructure & Urban Development

Ulaanbaatar has notably declared 2025 the "Year of Development," with a strategic focus on projects aimed at reducing air and environmental pollution and easing persistent traffic congestion within the capital city.¹² This declaration underpins an ambitious infrastructure agenda that creates substantial opportunities for foreign engineering, construction, and transport companies.

Major projects advancing in July include the Choir-Mandalgobi-Arvaikheer horizontal highway project, with its Arvaikheer section featuring Mongolia's first-ever two-level road interchange. This design innovation aims to eliminate direct intersections, thereby reducing traffic accidents and ensuring uninterrupted traffic flow.³⁹ In urban transport, the development of a Bus Rapid Transit (BRT) project in Ulaanbaatar, supported by Asian Development Bank (ADB) funding, is progressing, with terms of reference for the feasibility study currently being developed.³⁸ The feasibility study for the Ulaanbaatar Tram project has also been approved.¹ Further enhancing urban connectivity, the tender for the First Ring Road construction was announced in June, with construction slated to begin in August 2025, while the Tuul Highway Project construction is expected to commence by April 2025.¹³

Beyond urban infrastructure, Mongolia's strategic energy independence goals are supported by the scheduled commissioning of the country's first oil refinery in 2025.⁴⁰ This facility is designed to process 1.5 million tonnes of oil per year and is projected to supply 55% of domestic fuel demand, significantly reducing imports.⁴⁰ The ADB's new Country Partnership Strategy (CPS) for 2025–2028 explicitly supports investment in sustainable and resilient infrastructure, including urban and transport services in both ger areas and aimag/soum centers, as well as affordable and low-carbon housing, and the development of satellite cities.⁴¹ This comprehensive approach to infrastructure development demonstrates a strong government commitment to improving urban living standards and national logistics, signaling a robust pipeline of opportunities for

international firms.

4.4 Digital Economy & Technology

Mongolia is actively charting a course towards a robust digital economy, recognizing its potential for national development and regional competitiveness. In May 2025, the Ministry of Digital Development, Innovation, and Communications presented the draft "National Strategy on Big Data and Artificial Intelligence".⁴³ This strategy outlines ambitious goals, including the development of an AI ecosystem to accelerate the transition to a digital economy, the utilization of big data to establish a "House of Knowledge," and the enhancement of productivity across social and economic sectors through AI applications.⁴³ The overarching aim is to position Mongolia as a competitive regional hub for digital economic development.⁴³

For the period 2025-2026, the strategy prioritizes establishing the necessary infrastructure and legal framework, which includes the creation of a National Council on Artificial Intelligence, a GPU cluster-based AI Center, and a National Data Repository.⁴³ Looking further ahead, by 2030, Mongolia aims to be exporting AI products within the region, establishing itself as a Central Asian hub for digital data, and hosting two international data centers.⁴³ Concrete steps towards this vision include plans to build a data center in Umnugobi aimag and introduce fiber optic connectivity to 13 key locations throughout the region.⁴⁴

These efforts are further bolstered by international partnerships. The ADB's new Country Partnership Strategy for 2025-2028 explicitly supports digital transformation as a crosscutting effort to strengthen governance and institutional capacity.⁴¹ Additionally, the UN Joint Programme on Strengthening Digital E-Mongolia Services and Communities (DEMOSC) concluded in June 2025, reporting significant progress. This program improved access to e-Mongolia services for nearly 5,000 citizens and equipped over 3,200 citizens and civil servants with essential digital skills, with a focus on community-based, gender-responsive approaches.⁴⁶ These developments collectively

indicate a clear strategic direction for digital growth, presenting significant opportunities for foreign investment in IT infrastructure, AI development, data services, and related digital solutions. The potential for Mongolia to emerge as a regional digital hub could attract substantial tech investment in the coming years.

5. Foreign Affairs & Trade

Mongolia actively pursued its foreign policy objectives in July, focusing on strengthening regional ties and diversifying international partnerships, while its trade dynamics continued to reflect global commodity market shifts.

5.1 Presidential State Visits

President Khurelsukh Ukhnaa engaged in significant diplomatic outreach, undertaking state visits to both Kyrgyzstan in early July and Tajikistan from July 23-26.¹ These visits yielded concrete outcomes, including the establishment of a Comprehensive Partnership with the Kyrgyz Republic and the signing of various documents on relations and cooperation with Tajikistan.¹ A key highlight was the Mongolia-Kyrgyzstan Business Forum, which saw the participation of over 150 companies, indicating a strong emphasis on fostering economic collaboration alongside diplomatic ties.¹ These engagements demonstrate Mongolia's commitment to diversifying its diplomatic and economic relationships beyond its traditional major neighbors, Russia and China, and enhancing regional connectivity, particularly within Central Asia.

5.2 Deputy Prime Minister's Visit to Japan

Further reinforcing its "third neighbor" policy, Deputy Prime Minister Togmid Dorjkhand visited Japan on July 28, 2025.⁴⁸ Discussions during this visit included the success of the Mongolia National Day Event at Expo 2025 Osaka, Kansai, and Japan's expressed support for Mongolia's determination to uphold democracy and its "third neighbor" policy.⁴⁸ This engagement underscores Mongolia's ongoing efforts to seek diversified investment and political support from key non-contiguous partners, crucial for balancing

its geopolitical position and fostering sustainable development.

5.3 Trade Dynamics

As detailed in the Macroeconomic Update, Mongolia's trade balance significantly narrowed in June 2025, driven by a sharp decline in exports, particularly coal, cashmere, and crude oil, coupled with an increase in imports of consumer goods.²⁸

China remained the overwhelmingly dominant trade partner, accounting for 91.7% of Mongolia's exports and 38.3% of its imports.²⁸ Russia was the second-largest import source (23.6%), followed by Japan (12.7%).²⁸ This continued reliance on China for both exports and imports, particularly for critical mineral commodities, highlights a structural vulnerability to demand shifts and price volatility in the Chinese market. While the diplomatic efforts to expand regional and "third neighbor" ties are strategically important, the current trade figures indicate that the economic diversification efforts are still in their early stages and have not yet significantly altered the core trade dependencies.

6. Investment Trends & Business Opportunities

Mongolia's investment environment in July 2025 presented a blend of strategic opportunities and persistent challenges, reflecting the government's reform agenda and the impact of global economic shifts.

6.1 Positive Signals for Investors

The government has consistently articulated its commitment to fostering an investor-friendly environment. This was strongly reiterated at the Mongolia Economic Forum 2025, where the government pledged to implement policies conducive to investment and economic diversification.¹ The Deputy Prime Minister's statement about entering a "new phase of economic policy aimed at sustainable growth" and a goal to "raise investor confidence" ⁹ directly addresses the concerns of the international business community. Further bolstering confidence, the

Asian Development Bank (ADB) launched its new Country Partnership Strategy for Mongolia for 2025-2028, explicitly focusing on promoting diversified and inclusive growth, strengthening sustainability, and advancing empowerment, with crosscutting efforts to enhance private sector participation and improve the investment climate.⁴¹ The IMF's upgraded sovereign credit rating to B+/B2 and a shift to a moderate risk rating (from high risk in 2023) also signal an improving macroeconomic stability and reduced sovereign risk for investors.²⁰

6.2 Key Investment Areas

Several sectors stand out for potential foreign investment:

- **Renewable Energy:** With ambitious targets of 30% renewable energy by 2030 and carbon neutrality by 2050, coupled with vast untapped wind and solar potential (estimated 2,600 GW, with only 0.06% utilized), Mongolia offers significant opportunities in green energy projects.³² The ongoing Myangad solar plant tender exemplifies this drive.³⁵ However, investments must consider the critical need for modernizing the aging national grid infrastructure to effectively integrate large-scale renewable projects.³²
- **Infrastructure:** The "Year of Development" in Ulaanbaatar highlights a robust pipeline of urban development projects, including new highways, the Bus Rapid Transit (BRT) system, and a tram project.¹² National highway projects and the commissioning of Mongolia's first oil refinery also present opportunities in construction, logistics, and related services.⁴⁰ ADB's support for sustainable and resilient infrastructure further underscores this area.⁴¹
- **Digital Economy:** The launch of the National Strategy on Big Data and Artificial Intelligence signals a clear strategic direction for digital growth, with plans for an AI ecosystem, data centers, and fiber optic connectivity.⁴³ This creates opportunities in IT infrastructure, software development, data services, and digital transformation initiatives. The goal to become a Central Asian digital hub could attract significant tech investment.

- **Mining (Diversified):** While the coal sector faces challenges, the impending commercial production of the Bayan Khundii gold mine offers a new avenue for investment within the broader mining industry, contributing to diversification of mineral exports.²⁹
- **Agriculture:** Following recent livestock losses, the agriculture sector is projected for a gradual recovery.¹⁶ ADB's new strategy includes support for agribusiness and strengthening food security, pointing to potential for investment in modern agricultural practices and value-added processing.⁴¹

6.3 Challenges and Risks for Investors

Despite the positive outlook and strategic opportunities, investors should remain cognizant of several challenges:

- **Policy Consistency:** The President's partial veto of the "Gold-3" campaign and the government's intention to negotiate state shares in strategic mineral deposits, as outlined in the 100-Day Plan, indicate a dynamic policy environment.¹ While these actions may aim for greater national benefit or environmental protection, they can introduce uncertainty regarding long-term investment frameworks and state involvement in key sectors.
- **Commodity Price Volatility:** Mongolia's economy remains highly dependent on commodity exports, particularly coal and copper. The sharp contraction in the trade surplus in June 2025, driven by declining coal sales, underscores the vulnerability to global commodity price fluctuations, which can impact export earnings, foreign exchange reserves, and fiscal revenues.²⁰
- **Inflationary Pressures:** Persistent high inflation, projected at 9.1-9.5% for 2025, could erode real incomes and consumption growth, impacting domestic demand and increasing operational costs for businesses.¹⁴
- **Infrastructure Deficiencies:** Despite ambitious plans, significant infrastructure deficiencies, such as the aging energy grid, continue to pose challenges to large-scale development and efficient logistics.³²

- **Inter-branch Dynamics:** The constitutional challenge embedded in the presidential veto illustrates the ongoing interplay between the executive and legislative branches, which can affect the speed and predictability of legislative reforms and policy implementation.³

6.4 Foreign Direct Investment (FDI) Data

While comprehensive FDI data for Q2 or July 2025 is not yet available, the Bank of Mongolia reported that Foreign Direct Investment (FDI) increased by \$94.8 million in January 2025, following an increase of \$370.3 million in December 2024.⁴⁹ Earlier data from H1 2024 indicated that private investment rose by 10.9% year-on-year, bolstered by bank lending and foreign direct investment.²² These figures suggest continued, albeit fluctuating, foreign capital inflows, supporting domestic economic activity.

7. Quote of the Month + Commentary

"Mongolia is entering a new phase of economic policy aimed at sustainable growth... One of our key goals is to work with globally respected institutions to raise investor confidence."

— Deputy Prime Minister Uchral Nyam-Osor, Mongolia Economic Forum 2025 9

This statement from Deputy Prime Minister Uchral encapsulates the strategic direction Mongolia is pursuing. It reflects a clear recognition of the need to move beyond traditional resource-driven growth towards a more diversified and resilient economy. The emphasis on "sustainable growth" implies a commitment to long-term development that balances economic expansion with environmental and social considerations, as evidenced by the President's veto on the "Gold-3" campaign for environmental reasons. Furthermore, the explicit goal of "raising investor confidence" by collaborating with "globally respected institutions" signals a proactive approach to improving the business environment and aligning with international best practices. This is a crucial message for foreign investors, suggesting that the government is not only seeking capital but also aiming to build trust and predictability in its policy framework. The policy initiatives seen in July, from the 100-Day Action Plan's focus on governance to the push for a specialized housing bank and digital economy strategy, all align with this overarching

vision of a more diversified, transparent, and investor-friendly Mongolia.

8. Forward Outlook – What to Watch Next Month

As Mongolia moves into August 2025, several key developments will warrant close attention from international businesses and analysts:

- **Government's 100-Day Action Plan Implementation:** The progress and initial outcomes of the government's 100-day action plan will be closely watched. Specifically, any updates on negotiations regarding state shares in strategic mineral deposits and the implementation of anti-corruption measures will provide further clarity on the new administration's policy direction and its impact on the investment climate.¹
- **Housing Finance Bank Development:** The working group tasked with establishing a specialized housing finance bank is due to present its proposal to the Cabinet by August 13.¹⁰ This will be a critical step in formalizing the framework for a long-term housing finance system, potentially opening new avenues for financial sector and real estate investment.
- **Mining Sector Performance:** The third quarter is expected to see the commencement of commercial production at the Bayan Khundii gold mine.²⁹ This will be a significant milestone for diversifying Mongolia's mineral exports. Continued monitoring of coal export trends and the impact of the Prime Minister's oversight at Erdenes Tavan Tolgoi will also be essential.³¹
- **Parliamentary Agenda:** Mongolia's fourth Universal Periodic Review (UPR) report on human rights is scheduled for submission in August, with the review itself set for November 4, 2025.⁵⁰ While primarily a human rights review, parliamentary discussions around this report may offer insights into the legislative priorities and governance focus.
- **Upcoming Tenders:** Several public and private tenders are slated for August across various sectors, including agriculture, construction, and IT, indicating ongoing project development.⁵¹ Notably, JISCO Group Xinhaoda Company has an

advance notice for a tender for concentrated procurement of iron ore sand from Mongolia in August 2025, signaling continued demand for Mongolian mineral products.⁵³

- **Macroeconomic Data Releases:** The National Statistics Office and the Bank of Mongolia will likely release July's inflation data, trade figures, and other key economic indicators. These releases will provide crucial updates on the trajectory of inflation, the external balance, and the overall health of the Mongolian economy.

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