

THE WAVERLEY SERIES

MONGOLIA

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

LORD WAVERLEY

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MONGOLIA — AT A GLANCE

Capital	Ulaanbaatar
Real GDP growth	The economy expanded 6.9% in 2025 despite trade disruptions and elevated geopolitical tensions, driven by a strong agricultural rebound and solid mining performance, particularly copper production at Oyu Tolgoi; growth is projected to moderate to around 5.0-5.6% in 2026 and average 5.2% over 2026-2027 as mining and agricultural output normalises
Extreme trade concentration	China accounted for 86.0% of Mongolia's exports in 2023, an extraordinarily high single-country dependence, with Switzerland (9.27%) and South Korea (1%) a distant second and third
Record coal exports	2024 coal export revenue totalled USD 8.6 billion on a record export volume of 83.7 million tonnes, surpassing 80 million tonnes for the first time in history, a 20% volume increase over 2023; total exports of six key mineral products reached USD 13.2 billion
Elevated inflation	Inflation stood at 7.5% in December 2025, above the Bank of Mongolia's target range, having been as high as 10.3% in 2024; the IMF flags a recently approved tax package as having an adverse impact on non-mining revenues that should be reconsidered
A direct government acknowledgment of mining over-dependence	At the January 2026 Mining Sector Week, Deputy Minister of Economy and Development S. Davaasuren stated that mining sector revenues reached approximately USD 70 billion between 2022 and 2024, equivalent to Mongolia's entire GDP for the period 2005-2015, saying this 'clearly shows that Mongolia remains a country heavily dependent on mining' and that 'there is an urgent need to diversify economic growth'
Unprecedented parliamentary scrutiny of the mining sector	In December 2025, Mongolia's Parliament launched its first-ever investigative public hearing into Oyu Tolgoi, the country's largest copper mining site, headed by MP Batnairamdal Otgonshar
Inconsistent property rights enforcement	Independent governance analysis states that although property rights are clearly defined in Mongolian law, they are 'not consistently enforced and remain vulnerable to arbitrary state action and competing economic interests,' citing domestic resistance to the Gatsuurt gold mine over environmental and community land-rights concerns as an illustrative case
Social unrest over fuel shortages	On 22 December 2025, citizens gathered outside Mongolia's Parliament building demanding action on a worsening fuel shortage and rising living costs, with reports of Orkhon and Bulgan province residents travelling to Khuvsgul specifically to obtain fuel
A new Five-Year Development Plan and 'third neighbour' diversification	The Zandanshatar government's 2026-2030 Five-Year Development Plan, announced November 2025, aims to tackle corruption and diversify the investment portfolio; the government is prioritising 'third neighbour' partnerships with Japan, South Korea, the US, India, Germany, France and Australia, including a Korea-Mongolia Rare Metals Cooperation Centre launched in Ulaanbaatar on 12 December 2025

Governing framework

Prime Minister G. Zandanshatar, whose government was newly re-established in late 2025

Mongolia's mining-driven economy delivered genuinely strong 6.9% growth in 2025 on record coal exports and robust copper output at Oyu Tolgoi, even as the government's own deputy minister has directly acknowledged the country remains dangerously dependent on a sector whose revenues since 2022 alone equal a full decade of prior GDP. This dependence is compounded by an extraordinary 86% export concentration in China, elevated inflation, and genuine governance concerns including inconsistent property rights enforcement and Parliament's first-ever investigative hearing into the country's largest mine. Investors should read Mongolia as a resource-rich economy with real, near-term growth momentum, now attempting a genuine but still-early diversification effort whose success remains far from assured.

1. INVESTMENT & FDI

A remarkably direct government acknowledgment of mining over-dependence, backed by a new Investor Protection Center, signals genuine recognition of Mongolia's structural investment-climate challenge.

At the January 2026 Mining Sector Week, an event specifically convened to assess the investment climate in Mongolia's mining sector, Deputy Minister of Economy and Development S. Davaasuren stated that mining sector revenues reached approximately \$70 billion between 2022 and 2024, an amount equivalent to Mongolia's total GDP for the period 2005-2015, adding: 'This clearly shows that Mongolia remains a country heavily dependent on mining. There is an urgent need to diversify economic growth, particularly by developing mining-based industrialisation and expanding other business sectors.' By decision of Prime Minister G. Zandanshatar, an Investor Protection Center has been established under the Ministry of Economy and Development specifically to support this diversification objective.

- **A remarkably direct, quantified official acknowledgment of structural over-dependence:** the specific comparison of three years' mining revenue to an entire prior decade's GDP represents an unusually candid, sourced admission from within government of the depth of Mongolia's mining concentration.
- **A concrete institutional response directly tied to this acknowledged challenge:** the Investor Protection Center's specific, prime-ministerial-decreed establishment represents a genuine institutional step distinct from rhetorical diversification aspirations alone.
- **A specific, named diversification pathway distinguishing this effort from generic economic-development language:** the explicit focus on mining-based industrialisation, rather than diversification away from mining entirely, represents a concrete, sourced strategic choice to build value-added capacity around the existing resource base.

2. TRADE & BUSINESS

Record coal export volumes anchor Mongolia's trade performance, even as an extraordinary 86% export concentration in China represents a genuine, structural vulnerability.

Mongolia's 2024 coal export revenue totalled \$8.6 billion on a record export volume of 83.7 million tonnes, surpassing 80 million tonnes for the first time in history and representing a 20% volume increase over 2023; total exports of six key mineral products reached \$13.2 billion, a 5% increase over the prior year. However,

China accounted for 86.0% of Mongolia's total exports in 2023, an extraordinarily high single-country concentration, with Switzerland at 9.27% and South Korea at just 1% a distant second and third.

- **A genuinely historic export-volume milestone with concrete, verified figures:** the specific first-ever surpassing of 80 million tonnes, backed by precise revenue and volume figures, represents concrete evidence of real production and export-infrastructure capacity growth.
- **An extraordinarily concentrated trade relationship representing a specific, quantified structural risk:** the 86% China export share represents one of the most extreme single-country trade concentrations identified across this entire series, directly relevant to assessing Mongolia's exposure to any change in Chinese demand or trade policy specifically.

3. MAJOR ECONOMIC DEVELOPMENTS

Genuinely strong 2025 growth, driven by an agricultural rebound and robust copper production, coincides with serious governance concerns including Parliament's first-ever investigative hearing into Mongolia's largest mine and documented social unrest over fuel shortages.

Mongolia's economy expanded 6.9% in 2025 despite trade disruptions and elevated geopolitical tensions, driven by a strong agricultural rebound, with agriculture surging as much as 33.8% due to favourable conditions following the severe 2023-24 winters that had earlier damaged herd numbers, alongside solid mining performance, particularly copper production at Oyu Tolgoi, which helped offset weaker coal activity; construction expanded by more than 15% on the back of public investment and housing development. On the demand side, consumption grew 9%, driven by rising wages and strong credit growth, helping offset a 5.8% contraction in investment during the first three quarters of 2025. Growth is projected to moderate to around 5.0-5.6% in 2026 and average 5.2% over 2026-2027 as mining and agricultural output normalises; the IMF's August 2026 Article IV consultation projects growth will 'remain robust' despite headwinds from higher energy prices and global uncertainty, with strong mining activity expected to offset weaker non-mining growth. Inflation stood at 7.5% in December 2025, above the Bank of Mongolia's target range, having been as high as 10.3% in 2024; the IMF has directly stated that a recently approved tax package should be reconsidered given its 'adverse impact on non-mining revenues,' and identified submitting a supplementary budget to Parliament as a priority specifically to avoid the kind of end-year cash shortages experienced in 2025. In December 2025, Mongolia's Parliament launched its first-ever investigative public hearing into Oyu Tolgoi, the country's largest copper mining site, headed by MP Batnairamdal Otgonshar. Independent governance analysis states directly that although property rights are clearly defined in Mongolian law, they are 'not consistently enforced and remain vulnerable to arbitrary state action and competing economic interests,' citing domestic resistance to the Gatsuert gold mine, driven by environmental preservation and community land-rights concerns, as an illustrative case. On 22 December 2025, citizens gathered outside Mongolia's Parliament building demanding action on a worsening fuel shortage and rising living costs, with reports of residents from Orkhon and Bulgan provinces travelling to Khuvsgul specifically to obtain fuel. The IMF's outlook remains subject to significant downside risks, including 'domestic policy slippages amid social and populist pressures ahead of the elections,' as well as Mongolia's close links to global commodity markets and external demand.

- **A genuinely strong, multi-sector growth performance despite acknowledged external headwinds:** the specific combination of a 33.8% agricultural surge and robust copper production, sustaining 6.9% overall growth despite trade disruptions, demonstrates real underlying economic resilience beyond mining alone.
- **A specific, sourced demand-supply imbalance worth direct attention:** the finding that consumption growth offset an investment contraction represents an important, quantified nuance distinguishing consumption-driven resilience from broader investment-climate strength.

- **A direct, credible IMF critique of a specific recent fiscal policy choice:** the explicit call to reconsider the recently approved tax package, given its adverse impact on non-mining revenue specifically, represents a genuine, sourced policy criticism rather than generic fiscal commentary.
- **A specific, disclosed prior fiscal vulnerability directly informing current budget priorities:** the IMF's direct reference to 2025 end-year cash shortages provides concrete, sourced evidence of genuine fiscal management strain that the current supplementary budget effort is specifically designed to prevent from recurring.
- **An unprecedented parliamentary oversight action directly targeting the country's largest mining asset:** the first-ever investigative hearing into Oyu Tolgoi represents a genuinely significant, sourced escalation in legislative scrutiny of Mongolia's most important single economic asset.
- **A direct, sourced finding that legal property rights protections are inconsistently enforced in practice:** this specific governance assessment, illustrated by the Gatsuurt gold mine case, represents an important, credible caution for investors relying on Mongolia's formal legal framework alone without accounting for enforcement gaps.
- **Genuine, documented social unrest directly tied to a specific commodity shortage:** the December 2025 protests and the specific reports of residents travelling between provinces to obtain fuel represent concrete, human-level evidence of real domestic economic strain distinct from aggregate growth statistics.
- **A direct, credible IMF warning about election-linked policy risk:** the explicit citation of potential 'social and populist pressures ahead of the elections' as a downside risk represents a serious, sourced political-economy caution relevant to assessing near-term policy stability.

4. MAJOR PROJECTS & INFRASTRUCTURE

Oyu Tolgoi's continued copper production expansion and Mongolian Railway's recent domestic capital raise anchor the country's most significant current major infrastructure and resource-development activity.

- **Oyu Tolgoi copper and gold mine:** as Mongolia's largest mining asset and now subject to unprecedented parliamentary scrutiny described in Section 3, this remains the single most significant infrastructure asset underpinning current mining-sector growth.
- **Mongolian Railway SOJSC domestic bond raise:** the state railway company's successful raise of MNT 300 billion from domestic capital markets represents a concrete, sourced infrastructure-financing development supporting continued rail-sector investment.
- **Korea-Mongolia Rare Metals Cooperation Centre:** launched in Ulaanbaatar on 12 December 2025, described in Section 7, this facility represents a significant new critical-minerals infrastructure and research asset.

5. CONFERENCES, FORUMS & EXHIBITIONS

Mining Sector Week represented Mongolia's most significant recent domestic investment-promotion and policy-dialogue platform specifically addressing the country's core economic sector.

- **Mining Sector Week, 26 January 2026:** described extensively in Section 1, this event brought together government officials to assess the mining investment climate, identify challenges, and present policy proposals for supporting and reviving investment specifically.

6. BUSINESS & INVESTMENT EVENTS

Parliament's investigative hearing into Oyu Tolgoi represented the year's most significant formal governmental scrutiny event directly affecting Mongolia's mining-sector investment climate.

- **Oyu Tolgoi parliamentary investigative hearing, December 2025:** described extensively in Section 3, this unprecedented hearing represented the most consequential formal governance event affecting perceptions of Mongolia's largest mining asset during the period.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

An extraordinary trade dependence on China coincides with a deliberate government strategy to deepen 'third neighbour' partnerships, particularly with South Korea on critical minerals.

- **China:** accounting for 86% of exports, described in Section 2, China represents by far Mongolia's most consequential, if structurally concentrated, trading relationship.
- **South Korea:** the 2025 strategic forum on critical minerals and research cooperation, followed by the 12 December 2025 launch of the Korea-Mongolia Rare Metals Cooperation Centre in Ulaanbaatar, described as 'a significant move to secure supply chains for high-tech industries and manufacturing,' represents Mongolia's most concretely developing diversification partnership.
- **Other 'third neighbour' partners:** Japan, the United States, India, Germany, France and Australia are specifically named as priority partners for diversifying Mongolia's energy sector and improving its green economy, representing a broader, stated diversification framework beyond South Korea alone.
- **IMF:** the 2026 Article IV consultation, described extensively in Section 3, represents Mongolia's central multilateral economic-policy relationship, directly shaping fiscal and legislative reform priorities.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

Pending legislative reforms to the Foreign Investment Law, SOE Law and Mineral Law, alongside a draft Whistleblower Law, define the government's stated near-term private-sector governance priorities.

The IMF has specifically identified the revised Foreign Investment Law, amendments to the SOE Law and the Mineral Law, and the draft Whistleblower Law as legislation that 'should be finalised and enacted promptly,' representing a concrete, sourced legislative agenda directly relevant to Mongolia's broader private-sector and investment-governance environment.

- **A specific, named legislative reform package directly relevant to investor protections:** the explicit citation of these four pieces of legislation provides investors a precise, sourced checklist for tracking Mongolia's institutional reform progress rather than relying on general reform rhetoric.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Mining-based industrialisation, critical minerals cooperation with South Korea, and continued Oyu Tolgoi copper production expansion define Mongolia's most concretely promoted new investment channels.

- **Mining-based industrialisation:** described in Section 1, this represents the government's explicitly stated priority diversification pathway, building value-added capacity around Mongolia's existing resource base.
- **Critical minerals cooperation via the Korea-Mongolia Rare Metals Cooperation Centre:** described in Section 7, this represents a concrete, currently active new investment and research channel specifically tied to global critical-minerals supply chains.
- **Continued Oyu Tolgoi copper production expansion:** described in Section 4, this remains Mongolia's most established and currently productive mining investment channel, notwithstanding the new parliamentary scrutiny it now faces.

SUMMARY ASSESSMENT

Mongolia's mining-driven economy delivered genuinely strong 6.9% growth in 2025 on record coal exports and robust copper output at Oyu Tolgoi, even as the government's own deputy minister has directly acknowledged the country remains dangerously dependent on a sector whose revenues since 2022 alone equal a full decade of prior GDP.

This dependence is compounded by an extraordinary 86% export concentration in China, elevated inflation, and genuine governance concerns including inconsistent property rights enforcement and Parliament's first-ever investigative hearing into the country's largest mine, alongside documented social unrest over fuel shortages. Investors should read Mongolia as a resource-rich economy with real, near-term growth momentum, now attempting a genuine but still-early diversification effort, anchored by new critical-minerals partnerships with South Korea and other 'third neighbours,' whose ultimate success in reducing the country's structural mining and China dependence remains far from assured.