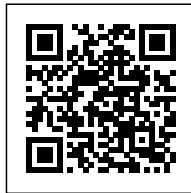


# WORLD BANK: MONGOLIA'S ECONOMY TO ACCELERATE IN 2023, BUT REFORMS AND DIVERSIFICATION NEEDED TO SUSTAIN GROWTH

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Mongolia's economy is projected to accelerate to 5.2 percent growth in 2023 from 4.7 percent in 2022 as mining and exports expand and the post-pandemic recovery in services continues.

Growth is also anticipated to be supported this year by household consumption, which is expected to remain steady as the labor market improves, along with substantial public investment, according to the World Bank's latest Mongolia Economic Update. Services, particularly tourism, are projected to continue recovering from restrictions associated with the pandemic, offsetting sluggish agricultural production due to the recent harsh winter.

However, labor force participation remains below its pre-COVID level. In addition, high inflation, debt, increasing fiscal risks, external sector imbalances, and over-reliance on the mining sector pose challenges to the economy.

"Strengthening the non-mining sector's contribution will be important to sustaining economic growth and expanding labor opportunities for the workforce, especially women," said Thilasoni Benjamin Musuku, World Bank Acting Country Manager for Mongolia. "Improving the competitiveness of non-resource tradeable sectors can be a source of productivity growth and lessen vulnerability to commodity price shocks."

Risks to the outlook are tilted to the downside and include negative economic impacts from larger-than-

expected tightening of monetary policy in advanced economies, geopolitical tensions, accumulation of sizable government contingent liabilities, and uncertainty related to coal export agreements.

Economic growth is expected to accelerate to above 6 percent in 2024-2025 as mining production increases. Nevertheless, reforms to promote economic diversification remain critical to sustaining growth and building resilience to domestic, external, and climate shocks. A more dynamic labor market will complement diversification efforts by increasing productivity in non-mining sectors.

The report proposes steps to strengthen labor markets with reforms aimed at expanding labor opportunities for the workforce, upgrading skills, and creating a comprehensive labor market information system. Mongolia's development would benefit from increasing inclusion by raising women's labor force participation, providing more opportunities for young people, and bringing more urban residents into the workforce.

The report further highlights the importance of fiscal discipline and reforms to enhance governance to improve fiscal sustainability and resilience. Exchange rate flexibility, better prioritization of investment projects, and boosting export revenues and capital inflows are necessary to rebuild Mongolia's foreign exchange reserves and ease the pressure on the balance of payments.