

## On the Special Feature : COVID-19 Economic Impacts in Mongolia

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Global outbreak of the COVID-19 pandemic early in 2020 completely changed the regular lifestyle we had been accustomed to. The global community has since experienced a challenging time in the fight with this pandemic, and various restrictions on economic activities are in place worldwide. Mongolia is not an exception from this global path, and the country's economy is experiencing its deepest contraction in decades.

Mongolia's initial response to this pandemic was quick, and soon after the initial outbreak of COVID-19 in China and well before the WHO announced it as a pandemic, Mongolia had closed all schools and other educational and entertainment institutions along with imposing restrictions on cultural and sports events involving the public from January 27. Soon after, all air, rail and road transport borders with China were closed to inbound non-citizen passengers and most of the non-regular border crossings were closed from February 1. Then on February 13, the country moved into a nationwide "partial heightened state of preparedness" and cancelled celebration of the Mongolian Lunar New Year – the most celebrated traditional event in the country. All entities were asked to shift into remote or telework wherever possible, while bars, restaurants and entertainment facilities were required to adopt shorter business hours. The government asked residents to refrain from non-essential trips abroad and urged all to wear masks and practice social distancing. Regular international flights to Asian routes were first suspended on February 27. On March 10, Mongolia registered its first case of covid-19, which was an imported case, and just one day after the WHO declared the COVID-19 as a pandemic on March 11, Mongolia suspended the remaining regular international flights and the country has since remained virtually closed. These relatively strict measures prevented local outbreaks of COVID-19 in Mongolia for about 10 months, with the country registering its first locally transmitted case of the coronavirus on November 11. On the following day, the country declared a nationwide lockdown for 20 days, and it was extended for another 10 days in several locations, including Ulaanbaatar – the capital city. Then on December 21, when a cluster infection of the virus was detected in Ulaanbaatar city, the Government once again declared a partial lockdown in the city for the 14 days, extending from December 23 to January 6, 2021. Exemptions applied for 15 sectors vital for the everyday lives of residents, such as energy, fuel, food supply and distribution, public transportation, and taxi services. However, an exit ban from Ulaanbaatar city became effective immediately. The locals refer to these measures collectively as

"the quarantine". As of December 22, 2020, Mongolia has reported 1,006 confirmed cases of COVID-19, including 392 imported cases. No fatalities have been reported.

According to the National Statistics Office of Mongolia (NSO), Mongolia's economy contracted by 7.3% in real terms during the first 9-months of 2020. This scale was much larger than in 2009, when the country's economy was hit by the global financial and economic crisis called the "Lehman Shock" and was comparable to the largest contractions of the economy experienced during the initial years of Mongolia's transition towards a market economy in the early 1990s. The increased local spread of COVID-19 and introduction of stricter restrictions on economic activities in the 4th quarter of 2020 are likely to worsen the already weakened economy and the contraction would deepen further.

Against this background, ERINA organized an online joint workshop with the National Statistical Office of Mongolia (NSO) on 17 September 2020, to discuss the current economic situation and this Special Feature delivers the papers presented at the workshop. The main messages conveyed in the papers were as follows.

In her analysis of the economic situation during the first half of 2020, Ulziikhand Nyamsuren, a Senior Statistician at the National Accounts and Research Department of NSO, emphasizes that the various restrictions placed on the economic and social activities aimed at preventing further spread of the COVID-19 pandemic in the country led to a significant economic contraction. Domestic production and services along with foreign trade turnover reduced substantially and state budget revenues declined. The budget deficit has already exceeded the planned figures by more than two-fold during the period; thus, prioritization of the budget expenditures is urgently needed. She calls for investigation into ways to improve the economy, while diversifying economic and export structures.

In April-May 2020, the NSO conducted a survey on how "the quarantine" affected business activities in the country and the responses are analyzed in the joint paper of Oyunjargal Mangalsuren, Senior Statistician at the Economic Statistics Department of the NSO and Baasan Dorjdamba, a Statistician in the same department. They underline that the COVID-19 pandemic prevention measures and quarantine had significant impacts on enterprises, and more than half of the SMEs responded that their businesses were not running normally. Most of the badly affected entities were in the service sector. In particular, wholesale and

retail trade, and automotive and motorcycle maintenance enterprises experienced the most severe revenue drops. Moreover, they indicated that almost half of the companies would necessitate up to 6 months to return to their normal operations after ceasing “the quarantine”, while various measures were essential to improve their financial health, such as tax and social security contribution discounts, and the easing of procedures for loan access and repayments.

Mongolia’s tourism sector virtually relies on inbound tourism and thus the COVID-19 pandemic was a severe blow for this sector. In their joint paper, Ulziikhand Nyamsuren and Gerel Bat, statisticians at the National Accounts and Research Department

analyzed the current situation of the country’s tourism sector. They underscore that while tourism was one of the most badly affected sectors in this crisis, uncertainty about the timeline for the end of the coronavirus pandemic necessitates implementation of tourism support policy and legal reforms that address not only the active entities in the tourism sector, but also those businesses directly or indirectly linked to tourism. Border closures to international travelers immobilized not merely this sector but also directly affected industries closely linked to tourism, such as civil aviation, hotel, catering, entertainment, food industries and crafts.