Mongolia

CRT-5

August 22, 2018

Region: Asia

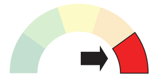
[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Mongolia, a CRT-5 country, has a high level of political risk and very high levels of economic and financial system risk. The country has enjoyed rapid growth rates since 2010. Growth slowed significantly in 2015 and 2016 owing to commodity price weakness but has picked back up, posting a solid growth rate of 5.1% in 2017.
- The GDP growth rate is projected to remain largely unchanged in 2018 and strong over the near term, driven by strong exports.
- The countries pictured in the map below hold a great deal of the world's economic potential, and contain the two most populous countries (China and India) in the world.

Vital Statistics 2017		
Nominal GDP	USD bn	11.14
Population	mil	3.1
GDP Per Capita	USD	3,640
Real GDP Growth	%	5.1
Inflation Rate	%	4.6
United Nations Estimates		
Literacy Rate	%	98.4
Urbanization	%	73.6
Dependency Ratio	%	48.5
Life Expectancy	Years	69.9
Median Age	Years	28.3
Insurance Statistics - As of 2016		
Insurance Regulator	Financial Regulatory Commission (FRC)	
Premiums Written (Life)	USD mil	0.1
Premiums Written (Non-Life)	USD mil	53
Premiums Growth (2016 - 2017)	%	-8.7
Regional Comparison		
	Country Risk Tier	
Mongolia	CRT-5	
China	CRT-3	
India	CRT-4	
Kazakhstan	CRT-4	
Pakistan	CRT-5	
Russia	CRT-4	

Source: IMF, UN, Swiss Re, Axco and A.M. Best



Economic Risk

Political Risk

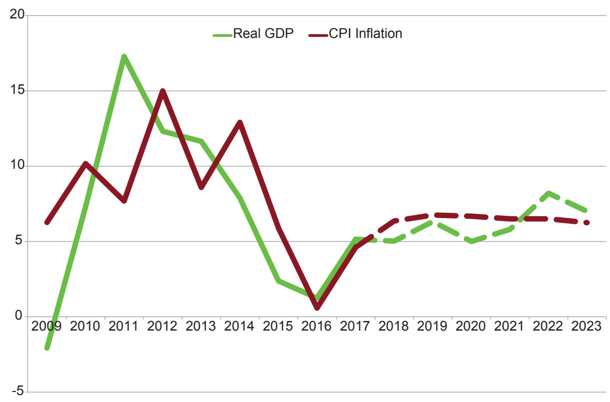
Financial System Risk

- **Country Risk Tier 1** (CRT-1) Very Low Level of Country Risk
- **Country Risk Tier 2** (CRT-2) Low Level of Country Risk
- **Country Risk Tier 3** (CRT-3) Moderate Level of Country Risk
- **Country Risk Tier 4** (CRT-4) High Level of Country Risk
- **Country Risk Tier 5** (CRT-5) Very High Level of Country Risk

Regional Summary: Eastern Asia

- Eastern Asia is home to some of the world's largest and most advanced economies. China (the second-largest economy in the world), Japan (third-largest), and South Korea (twelfth-largest) dominate much of Eastern Asia's economy as measured by gross domestic product (GDP) by the International Monetary Fund at year-end 2017.
- Tailwinds to the region include robust global growth and the resulting increase in demand for exports, growing domestic consumption, low interest rates, favorable labor market conditions, and government investment in infrastructure.
- Eastern Asia is particularly vulnerable to the rise in global trade protectionist policies and the resulting disruption in regional production networks. Additional risks for the region include an increase in geopolitical tensions, tighter global financial market conditions, potential capital outflows, exchange rate and financial market volatility, aging demographics and the resulting associated costs, government intervention in the private sector, and rising government debt levels.

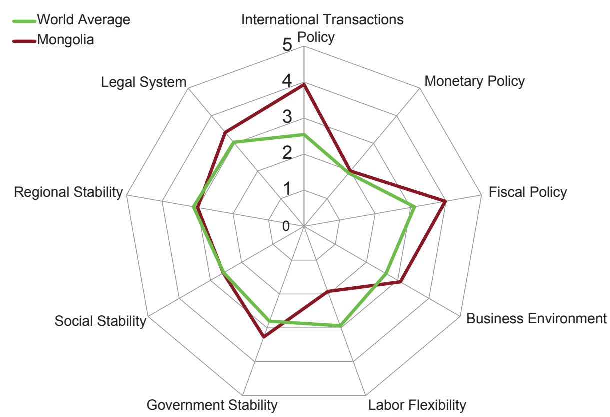
Economic Growth (%)



Source: IMF World Economic Outlook and A.M. Best

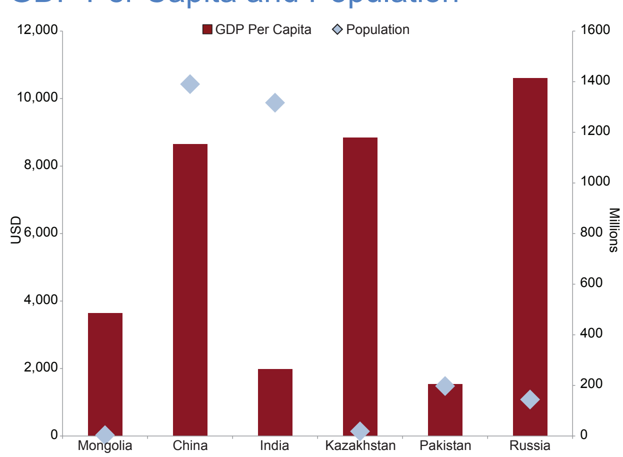
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

Economic Risk: Very High

- Mongolia has abundant mineral and metal resources, which together account for 86% of the country's exports; exports account for 40% of GDP.
- Mongolia's main trading partners are China and Russia. Because the economy depends heavily on commodities, the country is vulnerable to shocks in global prices and changes in Chinese demand. The government is working to diversify the economy.
- As the economy has grown, poverty and child mortality have declined significantly. Social programs have improved education and other resources to ensure sustainable growth.
- To foster the sustainability and inclusiveness of economic growth, Mongolia requires improved capacity of institutions for efficient management of public revenues.

Political Risk: High

- The government of Mongolia is largely democratic. Prime Minister Ukhnaagiin Khürelsükh of the Mongolia People's Party (MPP) took office in October 2017, and Khaltmaagiin Battulga, of the opposing Democratic Party (DP), was elected president. The prime minister is likely to adhere to fiscal policies introduced by the previous administration.
- Despite the decline in MPP's popularity (owing to austerity measures), the party remains stable and holds a solid majority in the parliament.
- The government generally welcomes foreign investments, but because of growing nationalism with regard to popular resources, it is likely to increase control over certain sectors.
- Mongolia has secured a USD5.5 billion loan from the IMF, which the government has used to restore fiscal balance.
- Corruption in the business environment remains a concern and the regulatory framework can be inefficient and cumbersome. The judiciary is relatively independent and the country has a broadly free press.
- Protests and demonstrations are peaceful. Causes for protest include income inequality, corruption, as well as, resource nationalistic sentiments.

Financial System Risk: Very High

- The insurance industry in Mongolia is regulated by the Financial Regulatory Commission. The IMF has recommended that its supervision authority be improved.
- Tax rates are expected to remain relatively low under the current administration, but the government has plans to enhance tax collection efficiency. The country was recently removed from the EU's blacklist of tax havens.
- The IMF has recommended that the government address the economy's vulnerability to shocks. According to the IMF, building fiscal and foreign exchange buffers is critical, as is enhancing the depth and strength of the banking sector to ensure resilience.