



**NATIONAL
STATISTICS OFFICE
OF MONGOLIA**

INVESTMENT 2021



Ulaanbaatar
2022



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NATIONAL STATISTICS OFFICE OF MONGOLIA

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Abbreviations

GDP	Gross Domestic Product
SBR	Statistical Business Register
MNT	Mongolian national togrogs
FDI	Foreign Direct Investment
ICOR	Incremental Capital Output Ratio

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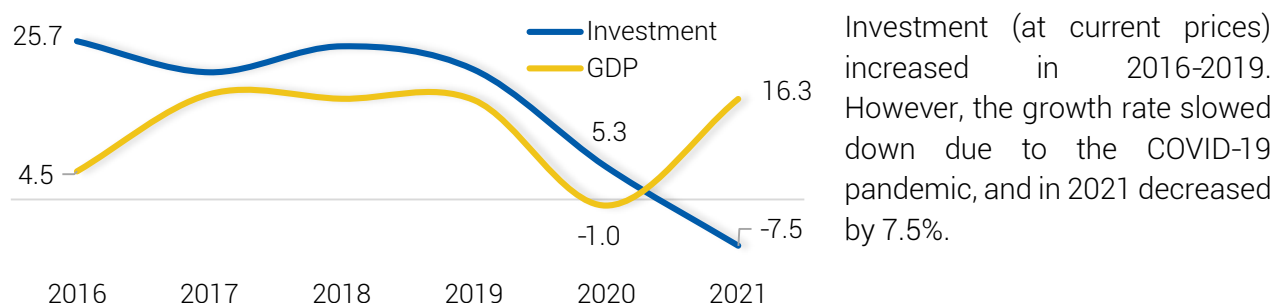
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1. ECONOMY AND INVESTMENT

Investment creates a mechanism to finance the country's economic growth and development. Mongolia's economy (GDP at 2015 constant prices) grew by 7.7 percent in 2018 and 5.6 percent in 2019, but declined sharply in 2020 due to the pandemic of the coronavirus (COVID-19), and economic growth slowed to 4.6 percent in 2021, and grew by 1.6 percent in 2021 from the previous year.

FIGURE 1. GROWTH OF GDP AND INVESTMENT



In terms of ownership type, a total of 81.5 thousand enterprises from the active enterprises registered in the Statistical Business Register (SBR) operated in 2021, which the number of private enterprises increased by 7.5%, the number of state-owned or local-owned enterprises increased by 3.4%, the number of foreign-owned enterprises while joint venture enterprises decreased by 4.5-5.5%.

TABLE 1. NUMBER OF ACTIVE ENTERPRISES REGISTERED IN SBR, by ownership type

Ownership type	2018	2019	2020	2021	Share to total			
					2018	2019	2020	2021
Total	71 717	75 522	76 329	81 533	100.0	100.0	100.0	100.0
State and local government	4 926	5 030	5 105	5 277	6.9	6.7	6.7	6.5
Private citizens of Mongolia	63 798	67 445	68 411	73 576	89.0	89.3	89.6	90.2
Private joint with foreign	756	645	586	554	1.1	0.9	0.8	0.7
Foreign	2 237	2 402	2 227	2 126	3.1	3.2	2.9	2.6

Investment is the assets and money allocated to generate income and profits in the future. One of the components of GDP estimation using the expenditure approach is gross capital formation, which is based on investment data. Gross capital formation represents value added from investment activities in the economy. Gross capital formation consists of gross fixed capital formation, changes in inventories and acquisitions less disposals of valuables.

Gross fixed capital formation is a macroeconomic concept used in the national accounts and refers to the net increase in fixed assets (acquisitions less disposals of assets), which differs from total investment in that it does not include financial assets, working capital reserves and other operating expenses.

In terms of contributions of components to the 4.4% decline of GDP in 2020 gross capital formation contributed to -16.2 percentage points, however 1.6% of the increase in GDP gross capital formation contributed to 19.9 percentage points in 2021.

2. INVESTMENT

The investment was MNT 15.9 trillion in 2021 and decreased by 7.5% from the previous year. Due to the coronavirus pandemic in 2020, investment in health sector increased by MNT 1.3 trillion or 7.6 times, and investment in mining and quarrying decreased by MNT 1.2 trillion or 14.2%. However, investment in mining and quarrying was MNT 8.7 trillion in 2021 and increased by 19.0%, wholesale and retail trade sector reached MNT 1.2 trillion or increased by 22.7% from the previous year.

TABLE 2. INVESTMENT, by sectors

Sectors	2018	2019	2020	2021	<u>2020</u> 2019	<u>2021</u> 2020
	billion MNT				percent	
Total	13 463.8	16 300.7	17 162.3	15 869.0	105.3	92.5
Agriculture	124.6	114.8	67.8	68.0	59.1	100.4
Mining and industry	8 282.9	9 591.9	8 777.0	9 524.9	91.5	108.5
Mining and quarrying	6 191.9	8 486.3	7 285.2	8 667.8	85.8	119.0
Manufacturing	1 120.8	580.0	395.4	368.6	68.2	93.2
Electricity, gas and water supply	970.1	525.6	1 096.4	488.6	208.6	44.6
Construction	1 036.0	1 046.5	989.2	928.8	94.5	93.9
Services	4 020.4	5 547.5	7 328.4	5 347.2	132.1	73.0
Wholesale and retail trade	682.7	908.8	1 001.4	1 228.8	110.2	122.7
Transport and storage	281.7	522.8	316.5	337.4	60.5	106.6
Accommodation and food service	66.0	54.1	30.8	12.1	57.0	39.3
Information and communication	257.3	296.3	249.9	269.8	84.3	108.0
Finance and insurance	561.8	745.6	460.1	454.0	61.7	98.7
Real estate	87.9	51.7	39.7	93.7	76.9	235.7
Public administration	915.2	1 295.8	1 634.8	780.4	126.2	47.7
Education	333.7	749.4	409.6	408.7	54.7	99.8
Health	226.8	200.8	1 518.4	748.0	756.2	49.3
Other services	607.2	722.2	1 667.2	1 014.3	230.8	60.8

In terms of technological structure, 46.6% of total investment in 2021 was on machinery and equipment, 28.4% was in construction activity, and 24.9% was in other investment. Compared to the previous year, the share of investment in machinery and equipment increased by 13.1%, share of construction activity increased by 1.1%, and share of other investment decreased by 14.2 percentage points.

TABLE 3. INVESTMENT, by technological structure

Component	2018	2019	2020	2021	<u>2020</u> 2019	<u>2021</u> 2020
	billion MNT				percent	
Total	13 463.8	16 300.7	17 162.3	15 869.0	105.3	92.5
Construction	4 305.6	4 747.5	4 695.9	4 513.2	98.9	96.1
Residential building	1 436.8	1 329.7	1 347.6	1 590.6	101.3	118.0
Non-residential building	1 503.7	2 240.8	1 689.0	1 471.9	75.4	87.1
Engineering building and structure	1 268.8	1 063.1	1 520.4	1 325.9	143.0	87.2
Capital repairs	96.2	113.9	138.9	124.8	122.0	89.9
Equipment and machinery	5 650.5	6 587.0	5 744.9	7 399.5	87.2	128.8
Vehicles	1 990.8	2 809.6	1 985.1	2 752.0	70.7	138.6
Other machinery and equipment	3 659.6	3 777.4	3 759.8	4 647.5	99.5	123.6
Geological exploration work	160.4	305.4	51.2	158.5	16.8	309.4
Other	3 347.4	4 660.7	6 670.3	3 797.8	143.1	56.9

In terms of sources of funding, investment sources categorized into domestic and foreign. Domestic investment is classified as government (budget) and other (personal investment and bank loan investment), while foreign investment is classified as direct investment, soft loans and grants.

FIGURE 3. INVESTMENT, by sources of funding, share to total

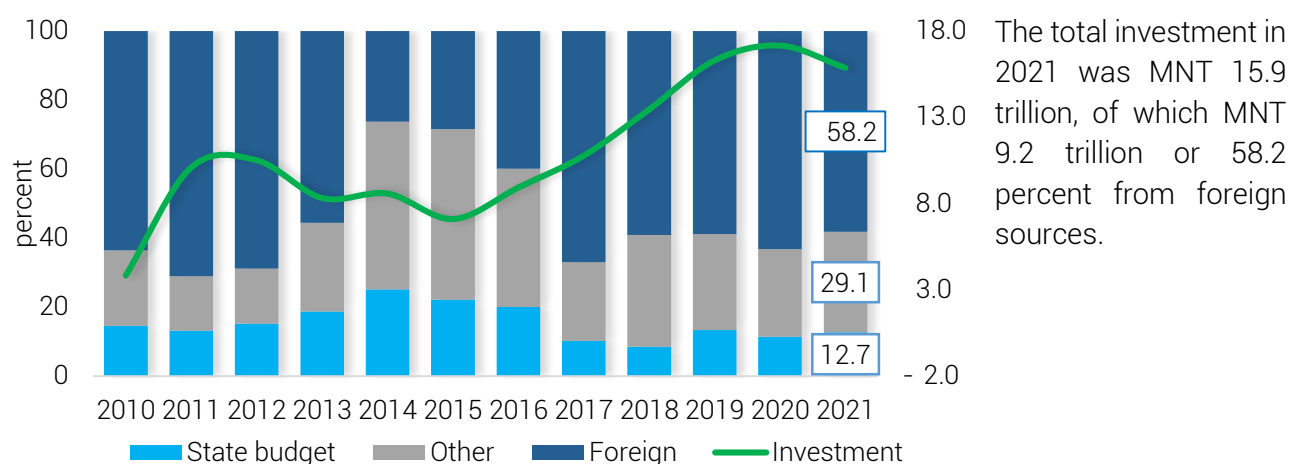
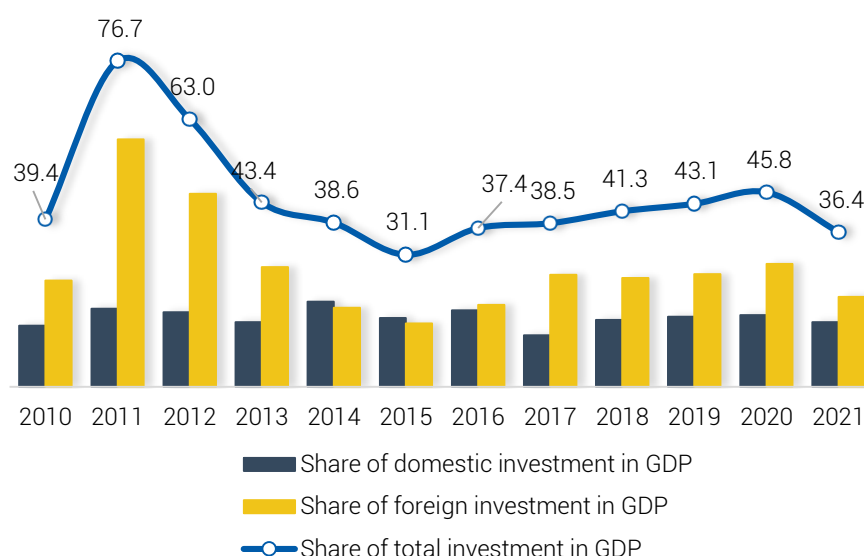


TABLE 4. INVESTMENT, by source of funding

Source	2018	2019	2020	2021	<u>2020</u> 2019	<u>2021</u> 2020
	billion MNT				percent	
Total	13 463.8	16 300.7	17 162.3	15 869.0	105.3	92.5
Domestic	5 124.8	6 254.5	6 323.1	6 636.4	101.1	105.0
Government	1 071.2	2 028.5	1 961.4	2 016.4	96.7	102.8
Other	4 053.5	4 226.1	4 361.7	4 620.1	103.2	105.9
Foreign	8 339.1	10 046.1	10 839.2	9 232.6	107.9	85.2
Foreign direct investment	6 747.1	8 339.0	7 320.5	7 731.9	87.8	105.6
Soft loan	1 490.5	1 621.9	3 368.4	1 344.9	207.7	39.9
Grants	101.5	85.2	150.3	155.8	176.3	103.6

Domestic investment was MNT 6.6 trillion and grew by 5.0 percent in 2021 from the previous year. However foreign investment was MNT 9.2 trillion and decreased by 14.8 percent from the previous year.

Figure 4. INVESTMENT SHARE OF GDP

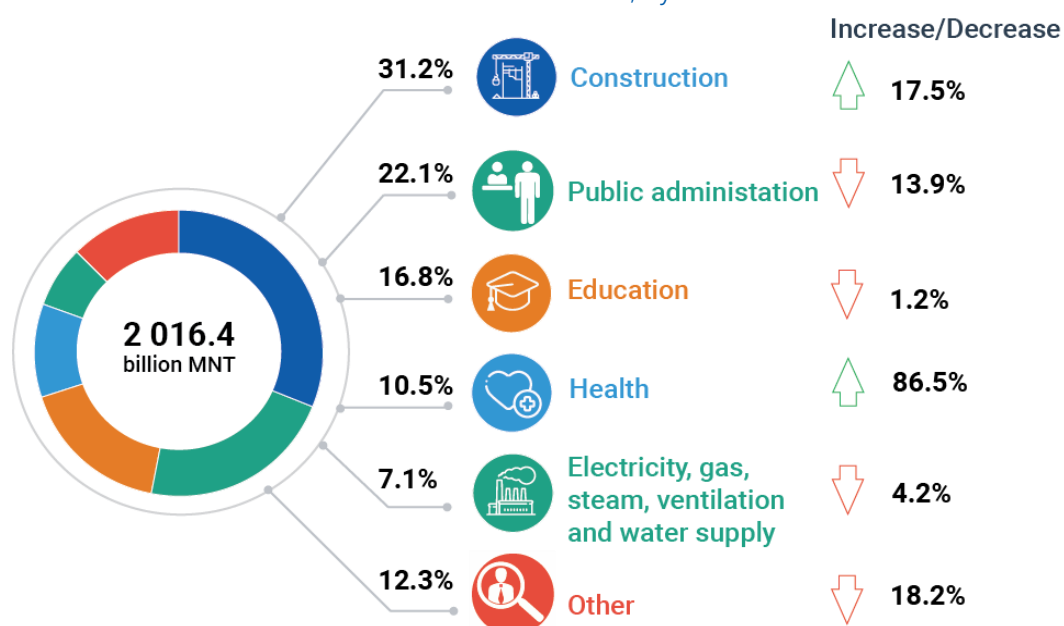


The a total investment share of GDP was 63.0-76.7 percent in 2011-2012, and decreased up to 31.1% in 2015, and 35.5% in 2021. The foreign investment share of GDP was higher than domestic investment in 2010-2013, while domestic investment dominated in 2014-2016, and foreign investment began to dominate again in 2017.

GOVERNMENT INVESTMENT

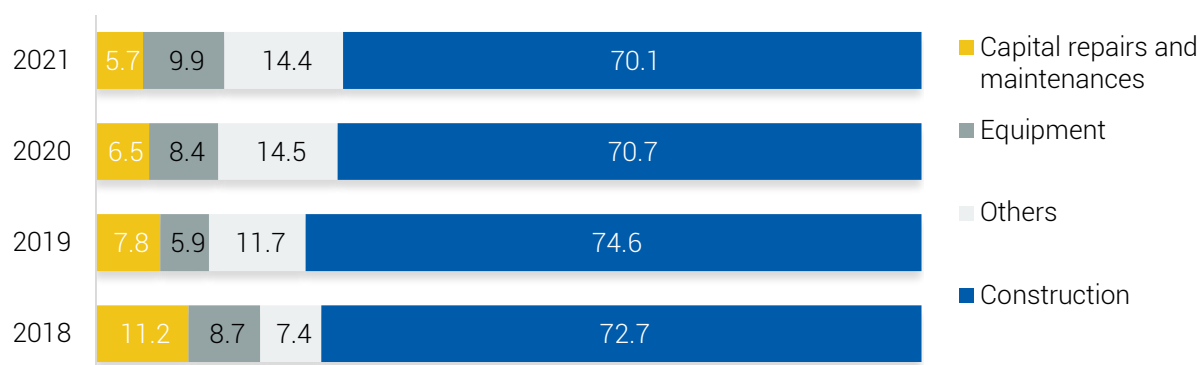
Government investment was MNT 2.0 trillion in 2021, of which, 78.3% was from state government and 21.7% was from local government. The state government investment increased by MNT 163.2 billion (11.5%), while the local government investment decreased by MNT 108.2 billion (19.8%).

FIGURE 5. STRUCTURE OF GOVERNMENT INVESTMENT, by sectors



In terms of economic sectors, 31.2% of government investment was in construction sector, 22.1% was in public administration, 16.8% was education, 7.1% was in electricity, gas and steam, 10.5% was on health in 2021.

FIGURE 6. STRUCTURE OF GOVERNMENT INVESTMENT, by investment type



Structure of government investment in terms of investment type, 70.1% of public investment in 2021 was on buildings and structures, 14.4% was on others, 9.9% was on machinery and equipment, and 5.7% was on capital repairs.

TABLE 5. GOVERNMENT INVESTMENT

Indicators	2018	2019	2020	2021	Share to total			
					2018	2019	2020	2021
	billion MNT				percent			
Government /budget/ investment	1 071.2	2 028.5	1 961.4	2 016.4	100.0	100.0	100.0	100.0
State government	659.2	1 559.9	1 414.6	1 577.8	76.9	72.1	72.1	78.3
Local government	412.0	468.5	546.8	438.5	23.1	27.9	27.9	21.7

In terms of economic sectors, 31.6% of state government investment in 2021 was on construction sector, 19.7% was on public administration, 18.8% was on education sector, and 6.1% was on electricity, gas, steam and water supply, while 30.5% of local government investment was on public administration, 29.7% was on construction sector and 9.5% was on education, 4.6% was on health.

TABLE 6. STATE AND LOCAL GOVERNMENT INVESTMENT, by sectors, 2021

Sectors	State government		Local government	
	Amount, billion MNT	Share to total %	Amount, billion MNT	Share to total %
Total	1 577.8	100.0	438.5	100.0
Agriculture	0.0	0.0	12.6	2.9
Production	96.5	6.1	46.7	10.6
Construction	499.3	31.6	130.1	29.7
Service	982.0	62.2	249.1	56.8
Public administration	311.3	19.7	133.7	30.5
Education	297.1	18.8	41.8	9.5
Health	192.4	12.2	20.2	4.6
Other service activities	181.2	11.5	53.4	12.2

In terms of regions, 33.3% was in central region, 33.1% of local government investment was in Ulaanbaatar, 14.3% was in Khangai region, 9.8% was in western region, and 9.5% was in eastern region.

TABLE 7. LOCAL GOVERNMENT INVESTMENT, by sectors and regions, 2021

Sectors	Total	Western region	Khangai region	Central region	Eastern region	Ulaan- baatar
	billion MNT					
Total	438.5	43.2	62.6	145.9	41.5	145.3
Agriculture	12.6	4.2	3.5	4.5	0.4	0.0
Production	46.7	1.4	8.5	15.1	6.0	15.6
Construction	130.1	7.9	8.8	48.1	8.3	57.0
Service	249.1	29.7	41.7	78.1	26.8	72.7
Public administration	133.7	9.6	27.5	35.2	14.9	46.5
Education	41.8	5.4	4.3	19.7	2.8	9.6
Health	20.2	1.3	4.1	5.2	2.1	7.3
Other service activities	53.4	13.3	5.8	18.0	6.9	9.4

Over half of local government investment was on service sectors. In khangai, Ulaanbaatar and eastern regions, 32.0-43.9% of local government was on public administration, 27.4% of local government in western region was on other service activities, 33.0 to 39.2% of local government in central region and Ulaanbaatar was on construction.

FOREIGN DIRECT INVESTMENT

A total of MNT 69.2 trillion foreign direct investment was made in Mongolia from 2000 to 2021, and the amount of investment is stable from year to year.

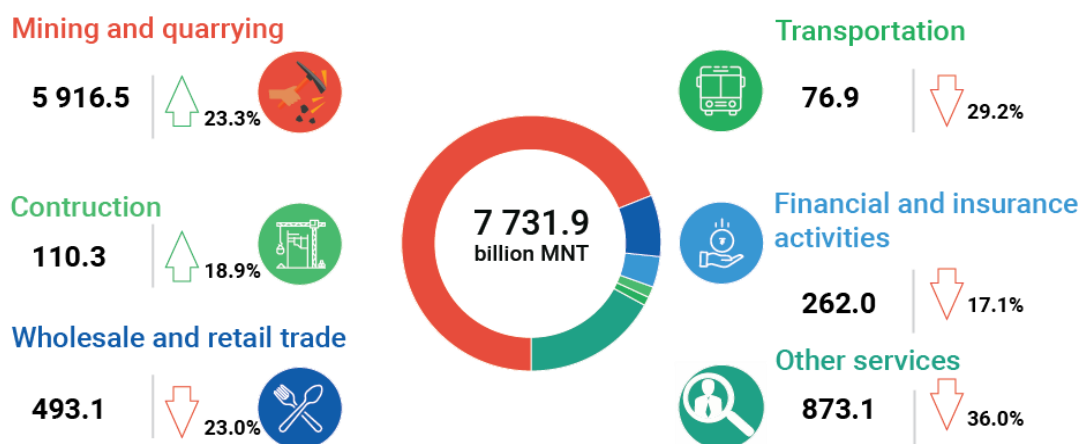
Foreign direct investment was MNT 7.7 trillion in 2021 and increased by MNT 411.4 billion (5.6%) from the previous year. About 70 percent of foreign direct investment is in the industrial sector, which in mining and quarrying.

TABLE 8. FOREIGN DIRECT INVESTMENT, by sector

Sector	2018	2019	2020	2021	2018	2019	2020	2021
	billion MNT				percent			
Total	6 747.1	8 339.0	7 320.5	7 731.9	100.0	100.0	100.0	100.0
Agriculture	8.4	8.6	3.7	10.1	0.1	0.1	0.0	0.1
Production	5 378.4	6 398.3	4 856.7	5 952.1	79.7	76.7	66.3	77.0
Construction	53.6	140.3	92.7	110.3	0.8	1.7	1.3	1.4
Service	1 306.7	1 791.7	2 367.4	1 659.5	19.4	21.5	32.3	21.5

In terms of sectors, MNT 5916.5 billion (76.5%) of FDI to Mongolia in 2021 was on mining and quarrying sector, MNT 493.1 billion (6.4%) was on wholesale and retail trade, and MNT 262.0 billion (3.4%) was on finance and insurance sector.

FIGURE 7. FOREIGN DIRECT INVESTMENT, by sectors



In terms of source of investment, MNT 4422.1 (57.2%) billion of FDI was from Canada, MNT 762.8 billion (9.9%) was from Singapore, MNT 700.4 billion (9.1%) was from People's Republic of China, MNT 589.7 billion (7.6%) was from Great Britain, and MNT 224.3 billion (2.9%) was from Luxemburg.

TABLE 9. FOREIGN DIRECT INVESTMENT, by inflow and country¹

Country	2018	2019	2020	2021	2020 2019	2021 2020
	billion MNT				percent	
Total	6 747.1	8 339.0	7 320.5	7 731.9	87.8	105.6
Canada	4 073.8	5 025.6	3 926.0	4 422.1	78.1	112.6
Singapore	135.0	415.0	444.6	762.8	107.1	171.6
People's Republic of China	884.7	838.7	752.6	700.4	89.7	93.1
Great Britain	47.7	198.7	148.1	589.7	74.5	4.0*
Luxemburg	158.7	339.6	106.9	224.3	31.5	2.1*
Japan	602.8	324.4	282.8	212.6	87.2	75.2
Hong Kong	195.1	452.3	73.5	173.8	16.2	2.4*
United States of America	192.9	233.6	367.7	147.5	157.4	40.1
Belgium	3.2	35.4	46.9	92.3	132.4	196.9
Netherlands	10.4	16.8	37.2	87.5	2.2*	2.4*
Australia	38.8	53.3	896.9	49.0	16.8*	5.5
Russia	44.8	82.6	11.7	47.9	14.2	4.1*
Thailand	0.2	0.3	-	43.0	-	-
Germany	8.4	34.1	14.9	31.9	43.6	2.1*
France	36.8	35.7	36.6	31.1	102.5	85.0
India	-	-	-	21.2	-	-
Republic of Korea	66.8	58.3	32.9	12.8	56.4	38.9
Other	246.8	194.7	141.2	82.0	72.5	58.1

¹ <http://stat.mongolbank.mn/?r=1103>, converted to USD by using annual rate

3.INVESTMENT EFFICIENCY

Investment is the money that is being spent today to make profit in the future, and on the other hand, it is aimed at economic growth or GDP growth. The indicator commonly used to measure investment efficiency is **Incremental Capital - Output Ratio or ICOR**. This ratio basically shows the relationship between the level of investment made in the economy and consequent increase in GDP. ICOR is a quantity that shows the **amount of additional new capital (investment) needed to increase one unit of output**. ICOR can be calculated with following formula:

$$ICOR = \frac{\Delta K}{\Delta Y} = \frac{\Delta K/Y}{\Delta Y/Y} = \frac{I/Y}{\Delta Y/Y} = \frac{I}{\Delta Y}$$

ICOR – Incremental Capital Output Ratio

ΔK – Incremented asset or changes in asset

ΔY – Output or changes in GDP

I – Investment

Also, used as an inverse indicator (1/ICOR) of how efficiently a country is using the scarce capital it acquires. The inverse of the ICOR measures the productivity of investment in an economy.

- ICOR – lower value means that investment used more efficient;
- 1/ICOR – higher value means that high efficiency or productivity of investment.

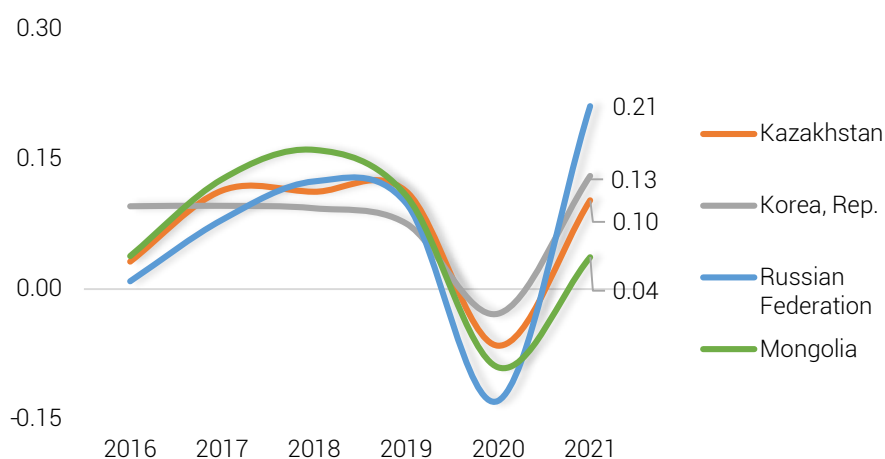
TABLE 10. INVESTMENT EFFICIENCY

Year	Investment ² , at constant prices, billion MNT	GDP, at 2015 constant prices, billion MNT	GDP growth, billion MNT	Investment efficiency (ICOR)	Productivity of investment (1/ICOR)
A	1	2	3	4=1:3	5
2016	9 103.3	23 240.9	346.1	26.30	0.04
2017	10 192.9	24 533.7	1 292.9	7.88	0.13
2018	11 582.5	26 393.9	1 860.2	6.23	0.16
2019	13 383.2	27 836.8	1 442.9	9.28	0.11
2020	13 432.3	26 622.7	- 1 214.1	-11.06	-0.09
2021	11 765.7	27 054.7	432.0	27.24	0.04

GDP and the productivity of investment are correlated positively. The productivity of investment was the lowest in 2016, and had been increasing from 2017 until 2020. In 2020, the productivity of investment was negative due to Corona virus pandemic.

The productivity of investment was 6.23 in 2018 and 27.24 in 2021, it means that an increase in GDP by MNT 100, resulted in investment by MNT 623 in 2018 and MNT 2724 in 2021.

FIGURE 8. THE PRODUCTIVITY OF INVESTMENT



When comparing the productivity of investment figures with other countries, the overall trend is similar due to the Corona virus pandemics.

² To convert gross capital formation at constant prices, deflator with 2015 base is used.