

# **Small Stans & Mongolia**

**Outlook 2026**

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# **1.0 Kyrgyzstan**

## **1.1 Politics - Kyrgyzstan**

Kyrgyzstan's populist-nationalist and increasingly authoritarian leader Sadyr Japarov goes into the sixth and last year of his presidency accused of having ended 2025 with a [subjugation of the parliament](#), using changed electoral rules that delivered cohorts of lawmakers to his taste.

The year also saw him continue with his attacks on the country's once vibrant independent media, forcing some of the top Kyrgyz journalists to operate in exile and taming the coverage of titles that continue to publish from within the country. In November, his administration [branded](#) three media outlets, highly respected among observers of the country, as "extremist", in the process criminalising any effort to circulate their content.

Recent months have also seen the Japarov administration take control of all international internet traffic – it must pass through a state monopoly EICat and apply a "foreign agents" law meant to tighten controls on NGOs with ties to foreign funding and backing.

It all smacks of the emergence of a "mini Russia" in Kyrgyzstan, a mountainous country of around 7.3mn people, and indeed Japarov gave an effusive and elaborate welcome to Russian leader Vladimir Putin when he [arrived](#) in Kyrgyzstan on a state visit in November, with oligarchs including Roman Abramovich, Musa Bazhaev and Petr Fradkov in tow,

*Nomad*, a TV channel with close backing from Kremlin propagandists, has lately opened in Bishkek and several Kyrgyz entities, including a bank that appears to cooperate with a Russian defence sector bank, have been sanctioned for activities that enable flows of goods and capital to find their way into Russia, with re-exports helping to bolster the Kyrgyz economy in the process.

In late November, [reports](#) told how a man who heads a network operating in the UK that launders cash for drugs gangs, illegal firearm suppliers and people smugglers, purchased the Kyrgyz bank in question, Keremet Bank. Keremet is accused of facilitating payments in sanctions evasion to the benefit of financing Russia's war machine.

In September, Japarov, [described](#) Western sanctions targeted at Kyrgyz banks and companies as "interference" in internal affairs.

Don't expect anything different from Japarov as he builds towards securing re-election in January 2027. He is set on his course.

Just possibly, a fly in the ointment that could grow into a major derailment of Japarov's designs on continued power could emerge in the shape of "People's General" Kamchybek Tashiyev, the national security chief who claims to have entirely stamped out organised crime in Kyrgyzstan. Tashiyev is always presented as a close ally of Japarov, but he is someone who [may have his own presidential ambitions](#).

## 1.2 Macro - Kyrgyzstan

In mid-December, Kyrgyzstan was hailed by *Bloomberg* as "Central Asia's budding new tiger economy". As the news service observed, the country is making hay from a boom in re-exports (licit and illicit goods, the sanctioned and the unsanctioned, flow to Russia) and remittances from migrant workers. Official central bank data indicates that the Kyrgyz Republic is on course for a GDP expansion of 10% or more this year after three years in which it has posted at least 9% annually.

Central bank chief Melis Turgunbaev pointed to construction activity (officials claim growth of an astonishing 127%), rising domestic consumption, the re-export of goods from China to regional countries and a tourism boom as main drivers of the Kyrgyz economic success.

This year brought Kyrgyzstan's first-ever sale of eurobonds, which brought in \$700mn. The move was related to progress in delivering megaprojects – construction work for instance is under way on the long-sought China-Kyrgyzstan-Uzbekistan (CKU) railway, which is being built through challenging mountainous terrain. Sceptics long maintained it would never be built.

Bishkek is also working on delivering Kambarata-1 hydroelectric power plant (HPP), a giant facility that could cost more than \$10bn.

Could a speeding economy come off the rails? There have been warnings as to the uneven distribution of wealth generated by growth and also of the potential for overheating. The International Monetary Fund (IMF), meanwhile, has forecast a slowdown in Kyrgyzstan's GDP growth to just over 5% per year in the medium term. It identifies the country's continued dependence on external conditions, remittances and unpredictable geopolitical factors as risks.

But as things stand, this is a "tiger economy" by Central Asian

standards and one of the world's top five fastest-growing economies.

Annual inflation edged down to 9.2% y/y in November from 9.3% y/y in October, according to the National Statistical Committee said on December 16. Also in November, at the national bank's last scheduled rate-setting meeting of the year, Kyrgyzstan's benchmark rate, the discount rate, was [raised by 100 basis points](#) from 10% to 11%.

In mid-December, Kyrgyzstan [reaffirmed](#) the long-term viability of its nationalised flagship gold mine, Kumtor, thanks to the launch of underground mining in August. Government officials have added geological reserves of 147 tonnes of gold to the state balance sheet, saying the underground project is expected to last 17 years. That's a boon where the finance ministry's plans for the world's first government stablecoin backed by physical gold are concerned. The USDKG is pegged to the US dollar (1 USDKG = 1 USD) and is billed as a unique instrument using blockchain tech and the backing of real assets under state control.

A blow to Kyrgyzstan's prospects came by the autumn as officials were forced to concede that the country's water reservoirs were suffering such a serious water deficit that the winter ahead would be [one of the most difficult](#) faced by the population – Kyrgyzstan is around 90%-reliant on hydroelectricity power generation for electricity, thus water shortages to the power utilities are a huge difficulty.

Officials have assured the country that such is the extent of the Kyrgyz power station building programme, the problems posed by rolling blackouts will be a thing of the past within a few years.

**Table 1. GDP growth in real terms**

	Actual			Forecast (Sep'25)		Revision since May'25	
	2023	2024	2025H1	2025	2026	2025	2026
<b>EBRD regions excl. SSA and Iraq</b>	<b>2.8</b>	<b>2.8</b>	<b>3.3</b>	<b>3.1</b>	<b>3.3</b>	<b>0.1</b>	<b>-0.1</b>
<b>EBRD regions incl. SSA and Iraq</b>	<b>2.9</b>	<b>2.8</b>	<b>3.3</b>	<b>3.2</b>	<b>3.3</b>		
<b>Central Asia</b>	<b>5.9</b>	<b>5.6</b>	<b>6.6</b>	<b>6.2</b>	<b>5.2</b>	<b>0.7</b>	<b>0.0</b>
Kazakhstan	5.1	4.8	6.2	5.7	4.5	0.8	0.0
Kyrgyz Republic	9.0	9.0	11.4	9.0	6.0	2.0	0.0
Mongolia	7.4	5.1	5.6	5.8	5.5	-0.5	-0.5
Tajikistan	8.3	8.4	8.1	7.5	5.7	0.5	0.0
Turkmenistan	6.3	6.3	6.3	6.3	6.3	0.0	0.0
Uzbekistan	6.3	6.5	7.2	6.7	6.0	0.7	0.0

*Source: EBRD Regional Economic Prospects, September 2025.*

## **2.0 Tajikistan**

### **2.1 Politics - Tajikistan**

Another year has gone by and Tajikistan watchers are still little the wiser as to when 73-year-old Emomali Sharipovich Rahmonov, leader of the country for 33 years, will make way for a successor – most likely his son Mayor of Dushanbe Rustam Emomali, who has been groomed for the presidency for many years.

As 2025 got under way, a purge of anyone who could feasibly threaten such a transition, led to some [anticipation](#) among analysts that Rahmon's presidency was coming to a close. But Rahmon, winner of a collective state farm chairman in Soviet times and winner of five undemocratic presidential elections in the post-Soviet era, has actually seemed in relatively fine fettle throughout the year. There was no strong signal that the authoritarian is tiring of the throne.

The Rahmon regime is unflinching in its often brutal grip on power.

In early December, Reporters Without Borders (RSF) [pointed out](#) that there were nine [imprisoned](#) journalists and bloggers in Tajikistan, more than in any other Central Asian country.

In October, Tajik security services allegedly [handed over to a family](#) what appeared to be the beaten and tortured body of a Tajik man who had lived in Germany since 2019 but returned to his homeland in order to obtain documents he needed to extend his visa. Friends and family rejected the authorities' claim that he committed suicide after being accused by interrogators of religious extremism.

Rights groups contend that there is systematic torture and ill-treatment in detention centres in Tajikistan, a country targeted by Islamists who have enjoyed success in radicalising disillusioned young men who have gone on to commit terrorist attacks in various countries. Officials suppress outward signs of religiosity, such as bushy beards.

Nervous of digital freedoms, Tajikistan in November [announced](#) it has launched a national messenger app, ORIZ, tightly controlled.

Russian leader Vladimir Putin during 2025 backed Rahmon as a reliable interlocutor and Tajikistan as a dependable ally. Putin [was in Dushanbe](#) in October, where he met with all the presidents of Central Asia, and called for the region to boost trade with the region.

Russia has a military base in Tajikistan and the facility came into focus in late November when unidentified [raiding parties crossed into Tajikistan](#) from Afghanistan and in two attacks killed five Chinese workers. With Beijing [alarmed](#) by a security situation that left the door open to such



armed assaults (one involved a combat drone), Tajikistan found itself [denying](#) a report that it had requested Russian help to guard its border with Afghanistan.

Rahmon is the most opposed to Afghanistan's ruling Taliban of all the Central Asian leaders, but there have been some signs of late of a thaw in relations.

In early November, Donald Trump made a push for more business and investment with Central Asia, holding a [summit](#) with the region's five leaders at the White House. Trump pledged to strengthen US relations with the five countries of Central Asia "like never before" but no major deals with Tajikistan were announced.

Two months previously, former US Ambassador to Uzbekistan and Kazakhstan, Daniel N. Rosenblum, [argued](#) that Washington has simply "surrendered" and lost its battle for influence in Central Asia's information sphere. [The abandonment, he said](#), has opened up a vacuum that has enabled Russia and China to dominate the narrative across the region.

**TABLE 1.1. Europe and Central Asia Economic Growth Summary, 2022–27**

(Real GDP growth at market prices in percent, unless indicated otherwise)<sup>a</sup>

	2022	2023	2024	2025 <sup>f</sup>	2026 <sup>f</sup>	2027 <sup>f</sup>	Percentage point differences from June 2025 projections		
							2025 <sup>f</sup>	2026 <sup>f</sup>	2027 <sup>f</sup>
<b>Central Asia</b>	<b>4.3</b>	<b>5.6</b>	<b>5.7</b>	<b>5.9</b>	<b>5.0</b>	<b>4.6</b>	<b>0.9</b>	<b>0.6</b>	<b>0.3</b>
Kazakhstan	3.2	5.1	5.0	5.5	4.5	3.9	1.0	0.9	0.4
Kyrgyz Republic	9.0	9.0	9.0	9.2	6.5	6.8	2.4	1.0	1.0
Tajikistan	8.0	8.3	8.4	7.6	5.2	4.7	0.6	0.3	0.0
Uzbekistan	6.0	6.3	6.6	6.2	6.0	5.9	0.3	0.1	0.1

Source: World Bank Autumn 2025 Europe and Central Asia Economic Update.

## 2.2 Macro - Tajikistan

Vladimir Putin may big up Emomali Rahmon in public as one of the more reliable post-Soviet leaders, but Moscow must be concerned that in July [it was confirmed](#) that China had become Tajikistan's number one trading partner – since that moment, Beijing has been able to boast of surpassing Russia in trade volume with all five of the ex-Soviet Central Asian states.

There was a certain inevitability that China, with its massive economy,

would eventually edge out Russia in this way. The task for the Kremlin now is to maximise trade and investment potential with Tajikistan and the other Central Asian states, while conceding the number one position to Beijing, while at the same time attempting to remain pre-eminent in the region's geopolitical and geostrategic positioning. The difficulty with that approach is that it is so often China, rather than Russia, that comes up with required deals and finance, and [money talks](#).

In October, responding to “floods” of Chinese consumer items seen in Uzbekistan, analysts [discussed](#) the dumping of goods by China in Central Asia.

The same month, a Tajik government report [acknowledged](#) that [two of the main obstacles](#) to drawing investment to Tajikistan are the country's low internet speed and power shortages.

In September, the World Intellectual Property Organization's (WIPO's) [2025 Global Innovation Index \(GII\)](#) deemed Tajikistan, a country of around 10.8mn with a youthful demographic, the [least innovative](#) country among the countries of wider Central Asia.

The World Bank in October [raised](#) its 2025 GDP projection for Tajikistan by 0.6 pp to 7.6% and added 0.3 pp to its forecast for 2026, taking it to 5.2%.

It noted that Tajikistan was enjoying a surge in earnings sent home by work migrants, saying: “In Tajikistan, where remittances amounted to almost 50 percent of GDP last year, personal transfers grew by more than 60 percent in the first quarter of 2025.”

Tajikistan, said the World Bank, was one of a handful of countries in Europe and Central Asia where inflation was within the target range, adding: “For Tajikistan, opportunities lie in leveraging the country's enormous hydropower potential, improving corridor logistics and border processes, and expanding tourism.”

In late September, a World Bank [report](#) concluded that Tajikistan [needs a shift](#) away from reliance on labour migration and remittances. The country had made notable progress in cutting poverty over the past decade, but to maintain such progress, it should transition from a remittance-dependent economic model to one rooted in domestic employment and economic resilience, it said. Key recommendations included modernising agriculture with climate-resilient technologies and promoting labour-intensive private sector growth, most particularly in agricultural processing, services and small enterprises.

As ever, Tajikistan's prospects are tied to it successfully persuading international donors to provide funding. The country is reliant on such funding for 82 government infrastructure projects. International development entities, led by the World Bank, Asian Development Bank (ADB) and the UN's International Fund for Agricultural Development ([IFAD](#)) are providing roughly 97% of the financing, covering costs of



around \$4.5bn, according to a report [published](#) by *Asia-Plus*.

By far the biggest investment pursued by Tajikistan is the Rogun Dam, a hydroelectric power megaproject with its origins in the Soviet 1970s and an estimated price tag that by some accounts has spiralled to \$9bn. Rogun, which at completion, would include the world's tallest dam structure, has, however, run into a spot of bother.

In August, there were [reports](#) that the World Bank appeared to be pulling back from involvement in the construction of the project. There are concerns about construction debt repayments, lack of proof that the power generation project can be commercially viable and loud protests from environmental activists who argue the dam's completion could have a dire impact on downstream communities.

Rogun would of course offer Tajikistan the energy generation independence it has long desired – this year's winter power cuts across the country are said to be excruciating – but there is analysis showing it could reduce the water flow of the already stressed Amu Darya river by 25% or more, imperilling the livelihoods of as many as 10mn people in Uzbekistan and Turkmenistan.

Tajikistan, with its many thousands of glaciers, in late May continued with its role as one of the world's pre-eminent "water diplomats" when it [hosted](#) the [High-Level International Conference on Glaciers' Preservation](#) in Dushanbe. A headache for President Rahmon is that while he quite rightly and urgently calls world attention to the rapid [melting](#) of his country's glaciers caused by climate change and the threat that poses to downstream regional water supplies, activists say support for Rogun goes against the spirit of what the Tajik government itself is promoting in terms of sustainable water management.

In November, there was an interesting development in terms of the prospects for Central Asian water security when it was [reported](#) that the Russian Academy of Sciences is seeking funding from the Kremlin for a feasibility study for a project to divert water from the [Ob River](#) in Siberia to Central Asia.

Finally, the fact that Tajikistan is one of the few significant producers in the world of armour-reinforcement rare metal antimony may become even more widely recognised in the year ahead as the West, the US in particular, scours the earth for opportunities to address its lack of critical minerals production and refining.

Tajikistan is [stepping up efforts](#) to mine its deposits of antimony, a silver-grey rare metal used in lead-acid batteries, solar panels and reinforcing the armour of military vehicles, but the US – frustrated at almost every juncture by Beijing's dominance in rare earths and metals – will not have been surprised that China is already heavily invested in Tajik antimony production.

### 3.1 Politics - Turkmenistan

The interminable wait suffered by those looking out for signs of a crack in the stone face of Turkmenistan's suffocating regime continued without any relief in 2025 and there is no indication as things stand that matters will be any different in 2026.

The ruling Berdimuhamedov tandem – Serdar as president and father and ex-president Gurbanguly as the pre-eminent ruler, bearing the title “National Leader of the Turkmen People” and the master of the Berdimuhamedov cult of personality – doesn't give an inch.

Turkmen journalists in exile continue trying to expose the Berdimuhamedov administration's worst excesses – two steps back in efforts to stamp out [child and forced labour](#) in cotton harvesting and [serious meat shortages](#) (with many households reportedly making do with buying cattle bones to boil down) were two features of 2025 that perhaps merited anti-awards—but if there was any positive progress in human rights reform, it seems to have stalled.

A highlight (or perhaps we should say lowlight) of the year came in October with media [stories about a Boeing aircraft](#), converted at great expense to serve as a “palace in the sky” to Gurbanguly Berdimuhamedov's eldest daughter Oguljahan Atabayeva.

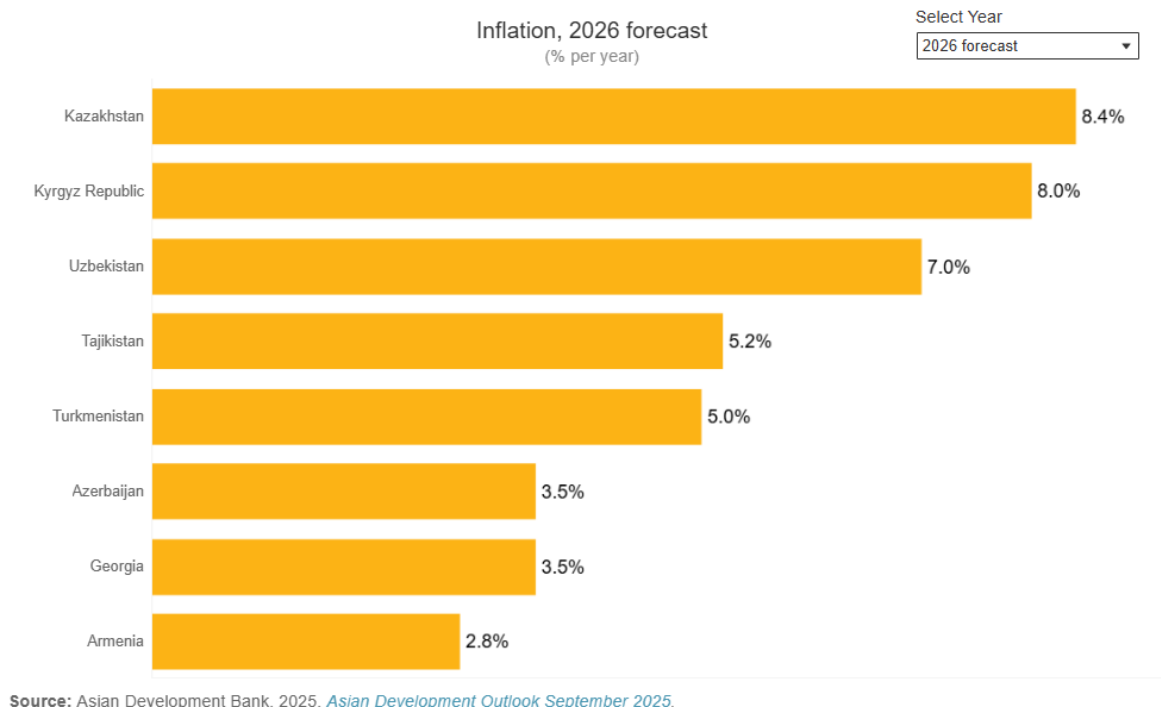
In December, Turkmenistan [welcomed presidents](#) including Russia's Vladimir Putin, Turkey's Recep Tayyip Erdogan and Iran's Masoud Pezeshkian for a celebration of the day 30 years previously when the UN granted the post-Soviet country the status of a country with “permanent neutrality”.

On the eve of the celebration, Serdar Berdimuhamedov said in an article published in state newspaper Turkmenistan Today: “We are carrying out extensive work aimed at transforming our neutral country into a powerful, democratic, and rule-of-law state where citizens live happy lives.”

If such work is in progress, then it is being carried out in the utmost secrecy.

In November, ahead of a White House summit between Central Asia's five presidents and Donald Trump, US Secretary of State Marco Rubio [pledged](#) to visit all of the region's countries in 2026.

No US-Turkmen deals were announced at the summit, but perhaps Rubio when in Turkmenistan might try to push US investment interest in unlocking more of the country's vast gas resources (see below).



## 3.2 Macro - Turkmenistan

Very little reliable economic information comes out of Turkmenistan; officials, as previously [reported](#) by this publication are even thought to provide a less-than-reliable population headcount (around 7.5mn if the figure is to be believed).

In September, the Asian Development Bank (ADB) [said](#) that for the first half of the year, “Turkmenistan reported steady growth at 6.3% with moderate gains in industry, expansion in agriculture and services, and large public investments in industrial and social infrastructure.”

Fitch in July [affirmed](#) Turkmenistan's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BB-' with a Stable Outlook, saying: “Turkmenistan's rating reflects the country's extremely strong sovereign balance sheet, with the highest sovereign net foreign assets/GDP and lowest public debt among 'BB' and 'B' category peers, underpinned by the world's fourth-largest gas reserves.

“These strengths are balanced against weak governance, unconventional and opaque economic policy, particularly the exchange-rate framework, a challenging business environment, high commodity dependence and export market concentration. Significant gaps remain in official data reporting, despite some improvements.”

The rating firm forecast that sovereign net foreign assets would remain elevated at 50.8% of GDP through 2027, much higher than the 'BB' median of 2.7%.

In a commentary titled “Distorted Exchange-Rate Regime”, Fitch observed: “A substantial gap persists between Turkmenistan's official exchange rate, fixed at 3.5 per US dollar since 2015, and the parallel market rate, which has been at around 19 since mid-2022. The gap persists despite a marked improvement in external liquidity. The

longstanding requirement for state-owned entities to surrender FX earnings remains.

“We expect authorities to refrain from using FX reserves to close the exchange rate gap or address related economic distortions in the near term. We expect the official exchange rate to remain unchanged through to 2027. The ongoing lack of transparency in exchange rate policy constrains foreign investment.”

Looking at gas production, the rating firm said: On gas, Fitch observed: “We project Turkmenistan's natural gas production, which accounted for 67% of the country's total exports in 2024, to decline modestly in 2025, before edging up in 2026. This reflects scheduled maintenance of export pipelines, reduced exports to key markets, particularly China, and a suspension of exports to Russia after the expiration of the Gazprom deal in mid-2024.”

Turkmenistan's gas export rivalry with Russia is a growing concern for Ashgabat. Moscow is [muscling in](#) on Turkmen prospects on building up its piped gas deliveries to China (Chinese customs data [shows](#) that in 9M25, Turkmenistan's gas exports to China fell 12.7% y/y to \$6.46bn, while Russia's gas exports to China reached \$7.29bn), with China in fact Turkmenistan's only major gas customer and gas sales being crucial to the Turkmen's economic health.

Efforts to find new major markets enabling Turkmen gas export diversification now have added urgency. But at each turn, Turkmenistan finds difficulties.

A big frustration for Turkmenistan over many years has been the non-realisation of the planned Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline. In September 2024, *bne IntelliNews* [reported](#) on “The great mirage that is the TAPI pipeline.”

On October 20, it was [reported](#) that TAPI has advanced 14 kilometres (8.7 miles) inside security-challenged Afghanistan to date. Could TAPI end up being the TA?

Turkey would dearly love to establish a route for the receipt of major volumes of Turkmen gas, much of which it could then conceivably redistribute to Europe. It has tried, with very limited success, swap arrangements under which Turkmenistan exports gas to northern Iran and Iran in turn exports Iranian volumes to Turkey – but this arrangement has come up against difficulties posed by US sanctions imposed on the Iranians.

Efforts at convincing Turkmenistan to agree to a trans-Caspian pipeline could be stepped up in 2026, though [this idea has been around for decades](#), with no progress. Given their dwindling options in gas export expansion, however, perhaps the Turkmen might finally commit to an undersea route that would take their gas to Azerbaijan, from where pipelines can move it on to Turkey. Whether Russia or Iran, as states like Turkmenistan that border the Caspian Sea, would, as gas export competitors, have any objections to such infrastructure is not clear.

Another Caspian Sea consideration is the sea's falling water level. In December, Chevron was among energy companies [warning](#) that a sharp decline in the water level could threaten existing Caspian Sea offshore

and maritime transport routes. New pipeline infrastructure might be the answer.

On the environmental side, a positive is that Caspian Sea operator Dragon Oil, a longstanding partner to Turkmenistan, has [achieved net-zero flaring](#), but a big negative is that climate action groups say the country is still [venting methane like crazy](#), despite having signed up to the Global Methane Pledge, which is supposed to drive efforts to curb and curtail “super emissions” of the planet-heating gas. This is deeply frustrating to campaigners as fixing methane leaks is relatively cheap and easy to do.

For Turkmenistan in summer-autumn 2025, the fact that two important reservoirs [dried up entirely](#) could be a climate crisis wake-up call for officials, but local reports indicate the difficulties were barely acknowledged.

Turkmenistan has committed to more petrochemical and fertiliser projects that look to secure value-added production from copious supplies of cheap gas feedstock, with Japanese and South Korean companies often the foreign companies that win the available contracts in this field. Daewoo E&C lately [broke ground](#) on a \$784mn mineral fertiliser plant project in Turkmenabat.

There are also reports that Turkmenistan is outdoing Central Asian competitors in capitalising on lucrative trade in greenhouse tomato exports. Cheap gas is again an advantage here as long as the growers can access supplies, and there have been complaints that the gas provision is not easily open to all who request it.

Another non-oil economic opportunity for Turkmenistan is presented by the Middle Corridor East-West freight transit routes that have become so important since, for many traders, corridors via Russia became unattractive in the wake of the Kremlin’s military assault on Ukraine.

Most of these multimodal routes go through Caspian Sea ports located in Kazakhstan, which like Turkmenistan faces Azerbaijan, but Ashgabat is working on claiming a bigger slice of the pie.

In November, senior rail officials from China, Iran, Kazakhstan, Uzbekistan, Turkmenistan and Turkey [signed](#) a six-party agreement to expand container rail traffic along the southern branch of the China-Europe Middle Corridor.

As regards, North-South corridors, there are prospects here also. November also saw a groundbreaking Russian freight train [arrive](#) in Iran after journeying through Kazakhstan and Turkmenistan.

## 4.0

## Mongolia

### 4.1 Politics - Mongolia

Politically speaking, Mongolia experienced something of a stomach-churning rollercoaster ride in the second half of 2025. With a new government now in place, having overcome a challenge that went to the Constitutional Court, strategists will hope for some plain sailing in 2026.

In early June, then prime minister Oyun-Erdene Luvsannamsrai was [ousted](#) as a vote of confidence went against him. Oyun-Erdene came into office pledging a cleaner government. He touted his administration's efforts to rid the country of a "coal mafia" that had been sending coal-laden trucks to China while under-reporting their contents. But his own finances came under close scrutiny following revelations that his son, a student at Harvard, had been spending large sums of money, mostly on gifts that he lavished on his girlfriend-turned-fiancée.

Zandanshatar Gombojav, a career politician considered a reformer, [was quickly made PM](#), but by October, amid growing Mongolian People's Party (MPP) infighting, he was sacked by the Parliament. Matters, however, were not over. Days later the Constitutional Court [ruled the dismissal illegal](#) over a failure to assemble a quorum.

Zandanshatar remains PM. And, in mid-November, in a move to ease MPP tensions, party lawmakers [appointed](#) a new speaker of parliament, Uchral Nyam-Osor. He succeeded Dashzegve Amarbayasgalan, who resigned following the power struggle with Zandanshatar.

Uchral is seen by some analysts as a "next-generation MPP figure" with pro-business views and close ties to both Zandanshatar and the president Khurelsukh Ukhnaa. If he is successful in helping to end the MPP feuding, he could very likely be the next PM, with Zandanshatar in 2027 moving for the presidency.

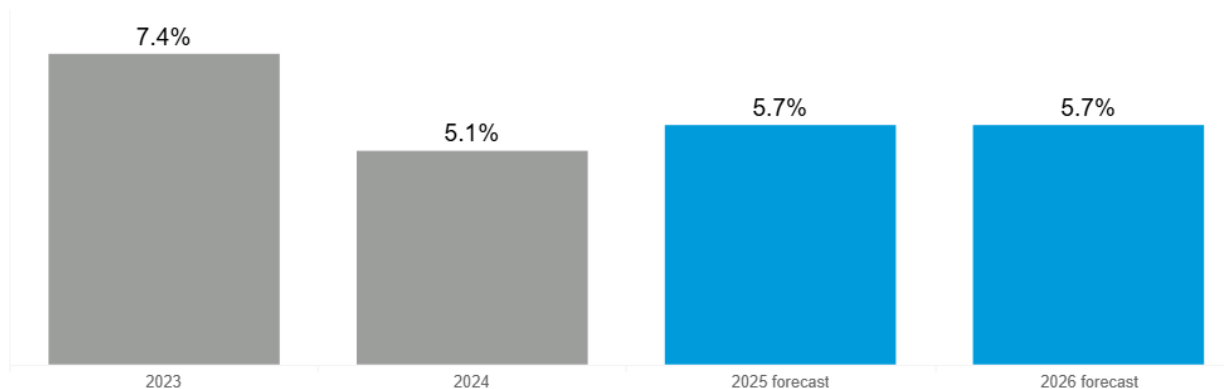
If the infighting continues relatively publicly in the party and in parliament, the situation will surely represent an opportunity for the Democratic Party and other opposition parties to dislodge the MPP from power.

In international political relations, landlocked Mongolia is for ever conscious of the need to maintain positive relations with its two giant neighbours, Russia and China, while developing relations with "Third Neighbours" including the US, South Korea, Japan, India and Europe.

## 4.2 Macro - Mongolia



GDP Growth Rate: Mongolia  
(% per year)



Source: Asian Development Bank. 2025. [Asian Development Outlook September 2025](#).

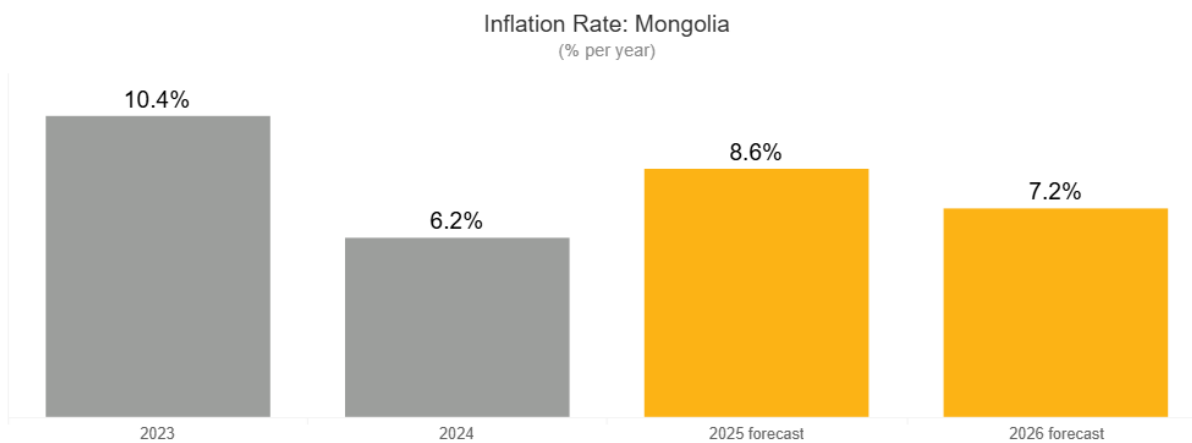
Economic imperatives that sway foreign policy and geopolitical considerations include Mongolia's petroleum products dependence on Russia, running at around 90-95% and its reliance on China as an export market, with around 90% of Mongolian exports (including 90% of mining sector exports) going to Chinese buyers.

By value, 55% or more of Mongolia's exports are made up of coal shipments and 85% are mining sector products, including copper. Again the destination concentration is dominated by China. The Chinese market absorbs almost all of Mongolia's exported coal, with coal key to GDP growth outcomes.

On December 20, *Reuters* [reported](#) Refinitiv as stating Mongolia's coal exports to China in the first 11 months of 2025 amounted to 79.0mn tonnes, with the volume up 5% y/y. Consignments picked up in recent months, overcoming a slump that was evident earlier in the year.

The 11-month figure met 93% of the government's 2025 target of 85mn tonnes, according to the Ministry of Industry and Mineral Resources. GDP in Mongolia [looks set](#) to come in at around 5.5% for this year and in 2026 (though the major risk factor here is China-US relations and consequent impacts on the vigour or otherwise of the Chinese economy).

Shannon Cowlin, the Asian Development Bank (ADB) country director for Mongolia, said in September: "“Despite heightened global uncertainties, economic growth in Mongolia remains robust. It is now even more critical to foster broad-based and diversified growth, while addressing vulnerabilities linked to mineral dependence and commodity market volatility.”"



Source: Asian Development Bank. 2025. [Asian Development Outlook September 2025](#).

In mid-December, Mongolia's benchmark interest rate [was held at 12%](#), with November annual inflation having been posted at 8.2% nationwide (and at 8.7% in Ulaanbaatar), an improvement on the eight-month high of 9.2% y/y recorded in October.

Official statistics also [showed](#) that January to November produced a trade surplus for Mongolia of \$3.53bn versus \$4.01bn a year earlier. Exports declined 5.9% y/y to \$13.74bn. Imports narrowed 3.6% to \$10.21bn.

Official news agency *Montsame* on December 4 [reported](#) that Mongolia's FX reserves stood at an all-time high of \$6.014bn.

In October, Temuulen Bayaraa, the CEO of Mongolia's Chinggis Khaan Sovereign Wealth Fund, established in April 2024, was [reported as saying](#) it so far boasted \$1.4bn in assets and expected to finalise its plans in the first half of 2026.

Resource-rich Mongolia set up the sovereign wealth fund (SWF) "to build trust between the mining investors and the people of Mongolia," Bayaraa told Reuters.

She added that the Chinggis Fund is to have a tripartite structure – it will allocate funds for strategic investments, public pension provision and support for local companies.

Plans also encompass reinvesting royalties from mineral exports in investments overseas, creating a savings fund from state mining company dividends and forming a development fund with windfall taxes on commodity prices.

Mongolia's pursuit of profits from mining is right now of particular interest to Anglo-Australian mining giant Rio Tinto. Mongolia has [launched a series of public hearings](#) to examine the multibillion-dollar Oyu Tolgoi copper and gold mine development, a Rio-led project that is projected to become one of the world's top copper producers. Lawmakers are questioning whether the country is set to receive its fair share of its profits.

The hearings of the Parliamentary Oversight Committee on Oyu Tolgoi will focus on resource valuations, licensing decisions and the financing structure behind the underground build-out. Testimonies will be taken from up to 300 witnesses, including former prime ministers.

Parliamentary leaders say the hearings will help determine whether past agreements and financing terms, including shareholder loans used to fund the underground mine, should be renegotiated. Conclusions may be published in early 2026.

In late November, *International Financing Review (IFR)* [reported](#) investors as saying that Mongolian bonds have rebounded from turbulence this year and that a broader range of issuance was in the pipeline.

Downturns in Mongolian bonds were triggered by US President Donald Trump's April "liberation day" announcement of global trade tariffs and by youth protests in June that came ahead of the resignation of Mongolian prime minister Oyun-Erdene Luvsannamsrai.

*IFR* quoted Linlin Ma, co-chief investment officer at Prudence Asset Management, as saying. "The message on the macro and fiscal policy front is quite consistent, and I think that gives investors great comfort when investing in Mongolia."

In October, Moody's Ratings [upgraded](#) Mongolia's long-term issuer and senior unsecured ratings to B1 from B2, while maintaining a stable outlook, and S&P Global Ratings [raised](#) its long-term foreign and local currency sovereign credit ratings on Mongolia to 'BB-' from 'B+'. It [said](#) the outlook on the long-term rating was stable.

Moody's anticipated more stable Mongolian economic growth, supported by continuing commodity diversification efforts and improved policy effectiveness, especially in terms of liability management and fiscal reforms.

It noted that Mongolia's rising copper exports had significantly offset softness in coal exports.

S&P said: "Although Mongolia's exports have slowed this year, we expect sustained economic growth over the next two to three years backed by continuous mining activity and strong public investments."

It added: "The stable outlook on the long-term rating reflects our view that Mongolia will continue its robust economic expansion and keep fiscal deficits low over the next two years."

Mongolia's Ministry of Mining and Heavy Industry during 2025 assessed that the country's discoveries of proven rare earth ore reserves amount to 3.1mn tonnes.

These are early days in the development of many critical mineral segments in Mongolia. France is [working with Mongolian state partners](#) on developing uranium deposits, while South Korea has its eye on Mongolian rare earths and rare metals – in December, Seoul [said it had launched](#) a rare metals cooperation centre at the University of Science and Technology in Ulaanbaatar. It will assess tungsten, molybdenum

and lithium resources, among others, and offer technical training in processing and refining.

Another key industrial partnership is with India. Mongolia's first oil refinery, expected to go into operation in 2028, is being built by around 20 Indian companies. In December, *Montsame* [reported](#) the Mongol Refinery company as saying that some of the major technological equipment required for the facility was [ready](#) for shipping from India.

Mongolia also remains engaged in plans designed to help it get more out of its wool and cashmere industry. In November, Lkhagvasuren Byadran, governor of the Bank of Mongolia (BoM), [said](#) it could generate over \$1bn annually for the country with targeted investment and better value chain development.

As things stand, only 8.4% of Mongolia's processed cashmere is turned into finished consumer products, meaning there is a major gap between realised and potential value-added production, according to findings of a study cited by the central bank chief.

Mongolia continues to export the majority of its animal fibres in raw or semi-processed form, with exports of cashmere, wool, hair, skins and hides generating an estimated yearly \$400mn. That represents just 7% of total export volume versus 93% from minerals, the study said.

As of early 2025, Mongolia [switched](#) export focus from washed to combed cashmere, a higher value product that delivers 1.8 times the price.