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Impacts of External Factors on Mongolia's Economic Growth

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Abstract: The paper examines the relationship between Mongolia's economic growth and selected external factors using annual data from 2004 to 2024. The empirical analysis investigates relations between Mongolia's growth rate and three external factor variables: China's growth rate, global commodity prices, and Mongolia's real effective exchange rate. A dummy variable is included to capture the impacts of external shocks in this period. Key findings of this study include: 1) there exists a long-term adjustment mechanism between Mongolia's GDP growth rate and these external factors, and 2) the negative impact of unexpected external shocks was significant, implying Mongolia's vulnerability against external factors.

Keywords: Economic Growth, External Factors, VECM, Mongolia

JEL Classification Number: C32, F14, F43