

Middle Class in Mongolia

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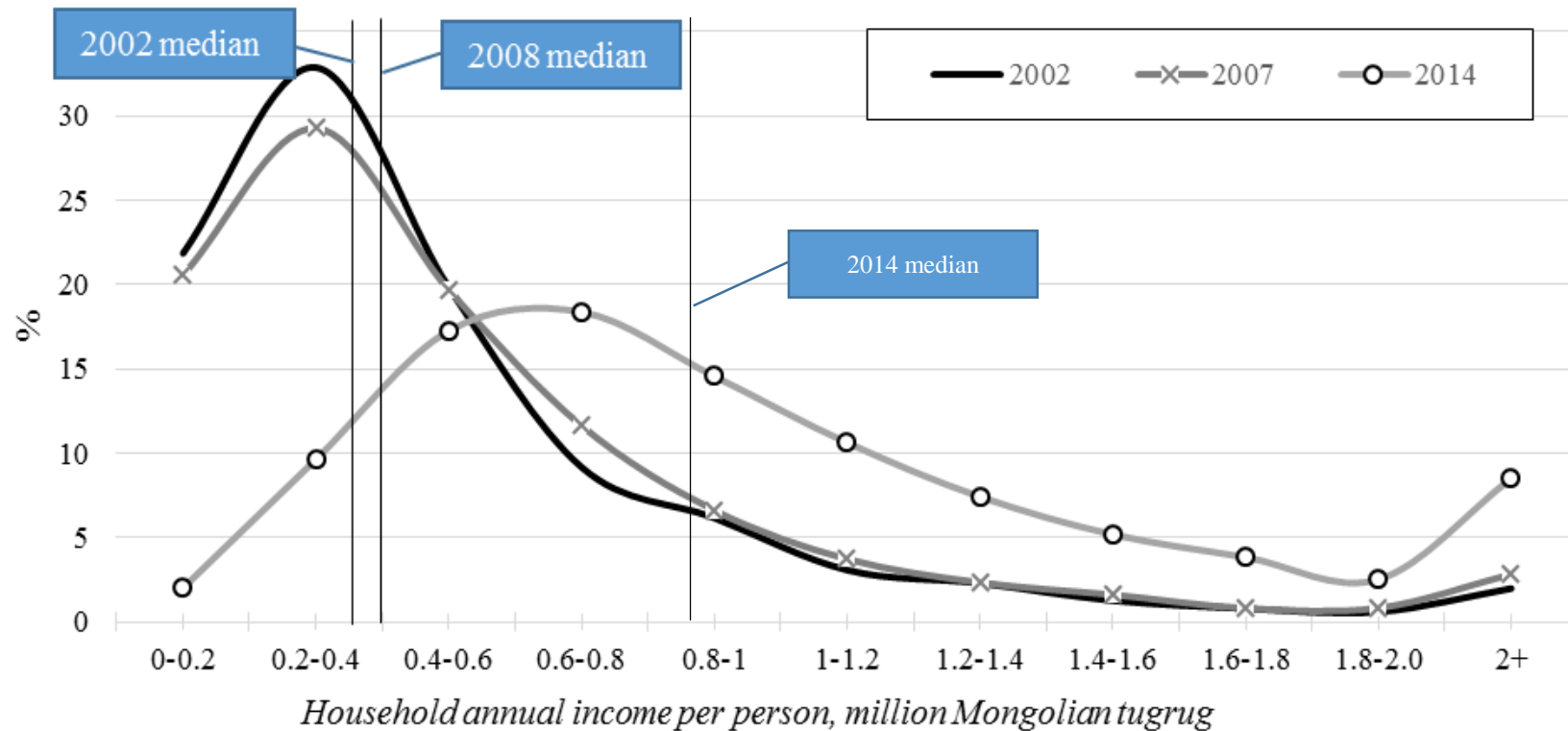
1. Methodology
2. Income distribution and its recent changes in Mongolia
3. Size of middle class and its recent changes
4. Socio-economic characteristics of the middle class and their change

1. Methodology

- ❑ Database: Household Socio-Economic Survey 2002-2003, 2007-2008 and 2014, by National Statistics Office
- ❑ Main analysis based on the estimated household income
- ❑ Estimated the size of middle class using multiple definitions of middle class
- ❑ Based on the selected definition /income between 67-200 per cent of the median household/, we identified middle class households and compared their socio-economic characteristics with those of lower and higher income households.

2. Household income distribution in 2002 prices

- ❑ Since 2008, real income of households increased rapidly making the median income to double.



Source: Authors' own estimate using raw data from socio-economic survey of NSO

3. Middle class size: Absolute definition

*Household income per person per day 2-26.5 USD /using nominal exchange rate/
Income classes, percentage share*

	2002	2008	2014
Low	84.9	54.9	8.6
Middle	15.1	44.7	90.3
High	0.0	0.4	1.2
Total	100.0	100.0	100.0

Source: NSO, Authors' estimate

3. Middle class size: Absolute definition

*Household income per person per day 10-100 USD /PPP/
Income classes, percentage share*

	2002	2008	2014
Low	72.6	73.1	30.8
Middle	27.3	26.6	68.6
High	0.1	0.3	0.6
Total	100.0	100.0	100.0

Source: NSO, Authors' estimate

3. Middle class size: Relative definition

Income classes divided by 67 to 200 per cent of the median household income, percentage share

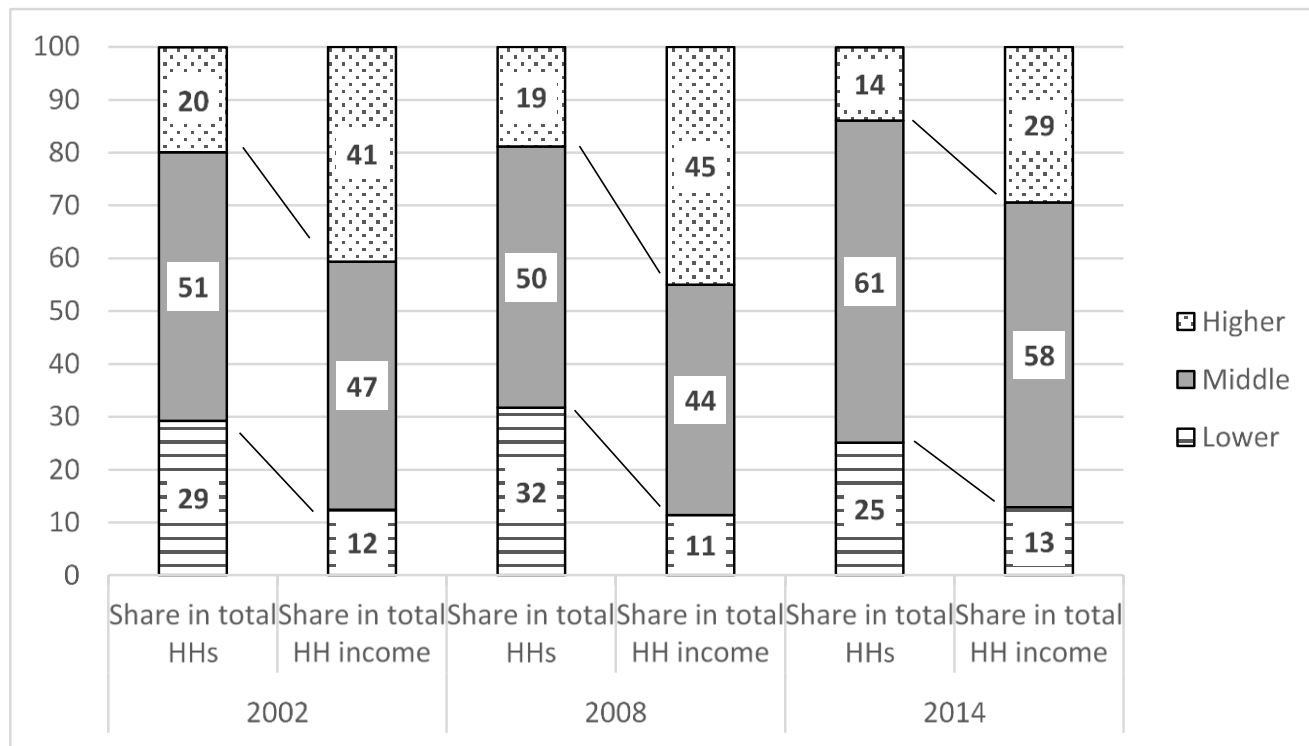
	2002	2008	2014
Low income	29.2	31.7	25.1
Middle	50.9	49.5	61.0
High income	19.8	18.8	13.8
Total	100.0	100.0	100.0

Source: Authors' estimate, NSO

3. Middle class size: Share of income

- ❑ In recent years, size of middle class has expanded following which income share of middle class in the total income has also increased.

Size of middle class and share of their income in the total income



Source: NSO, Authors' estimate

3. Middle class size: Urban and rural

- ❑ Middle class have expanded both for rural and urban areas.
- ❑ However, size of low income class have increased in rural areas while it decreased substantially in urban areas.

Size of middle class by urban and rural area

	2002		2008		2014	
	Urban	Rural	Urban	Rural	Urban	Rural
Low	27.9	30.9	30.6	33.3	23.9	32.0
Middle	53.4	48.0	49.3	49.8	61.8	58.8
High	18.8	21.2	20.1	16.9	14.3	9.2

Source: NSO, Authors' estimate

4. Middle class profile: Demographic

- ❑ Average household size has constantly been shrinking in all income groups
- ❑ Household's demographic dependency ratio is decreasing as household's income per person increases.

Average household size and demographic dependency, by income groups

	2002		2008		2014	
	Size	Dependency	Size	Dependency	Size	Dependency
Lower	5.2	0.9	4.5	0.7	4.4	0.8
Middle	4.2	0.7	3.8	0.6	3.4	0.5
Higher	3.2	0.5	3.1	0.4	2.6	0.3

Source: NSO and authors' estimation

4. Middle class profile: Demographic

- ❑ A share of male-headed household sharply decreased in middle class

Sex of household head, by income groups

	Household with male head (%)		
	2002	2008	2014
Lower	80	78	77
Middle	86	80	77
Higher	81	80	78

Source: NSO and authors' estimation

4. Middle class profile: Saving

- Share of household with savings and their saving amount has sharply increased for each income groups.

Amount of saving, by income group

	Share of household with saving		Average amount of saving (at 2002 prices, thous.MNT)	
	2002	2014	2002	2014
Lower	1%	16%	15	209
Middle	1%	28%	92	444
Higher	2%	44%	236	1335

Source: NSO and author's estimation

4. Middle class profile: Housing

- In urban area, as many households shift from lower income group to the middle class, share of households living in ger has increased since 2002

The type of housing, urban area, by income groups

		2002				
	Ger	Apartment	Detached house ¹	Other	Total	
Lower	24%	21%	45%	11%	100%	
Middle	16%	38%	37%	9%	100%	
Higher	11%	44%	35%	9%	100%	
		2014				
	Ger	Apartment	Detached house	Other	Total	
Lower	48%	11%	38%	3%	100%	
Middle	26%	35%	37%	2%	100%	
Higher	8%	70%	21%	1%	100%	

Source: NSO and author's estimation

4. Middle class profile: Livestock

- Since 2002, number of livestock has increased dramatically, but its growth rate is higher for higher income groups.

<i>Number of livestock in rural area</i>			
	2002	2008	2014
Lower	79	96	155
Middle	89	165	219
Higher	148	237	427

5. Conclusion

- ❑ Middle class has expanded in Mongolia between 2008 and 2014 regardless of which definition we choose.
- ❑ With different income thresholds and income intervals for the middle class, size of middle class is found to be between 32 to 90 per cent in 2014.
- ❑ With our selected definition 61 per cent of the total households fall into middle class category in 2014 with 58 per cent of total household income.
- ❑ Size of middle and high income class to be lower in rural areas.
- ❑ In major social, demographic and economic indicators, middle class households are in the middle between low and high income households.
- ❑ Majority of social and economic indicators are changing with a similar trend for all income classes.