




**MONGOLIA: MONTHLY MACROECONOMIC
OVERVIEW**

April 2015

Indicators:

Y-o-Y GDP growth of 4.4% in Q1 2015	FDI in March (31.8) million dollars	Cumulative budget deficit MNT 244.8 billion	Annual Inflation 9.2%	Non-performing loans increased by MNT 44.1 billion	USD 1,324 million in BoM foreign currency reserves at March
* 9.2% growth in agriculture, * 13.1% growth in industry and construction sector * 3.3% growth in services sector.	Net FDI decreased by USD 94 million compared with the same period previous year, and USD 0.1 million compared with previous month.	MNT 1.67 trillion in revenue and MNT 1.78 trillion in expenditure.	Inflation of 0.9 percent compared with previous month, and 9.2 percent year to date.	Non-performing loans rose 6.3% compared with the previous month to total MNT 747 billion.	BOM reserves decreased by USD 34.7 million or 2.6 percent compared with previous month.
 The average USD/MNT nominal exchange rate MNT 1,975.8	 Housing price index 1.165 a 0.69% decrease from the previous month and a decrease of 6.8% when compared against previous year.	 Current BOM official policy rate 13%			

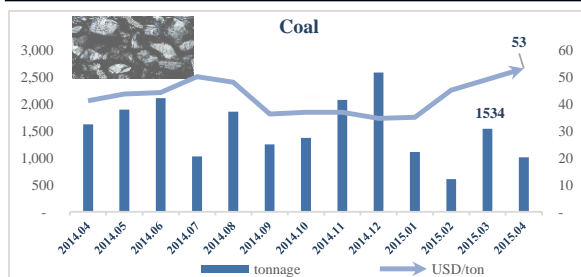
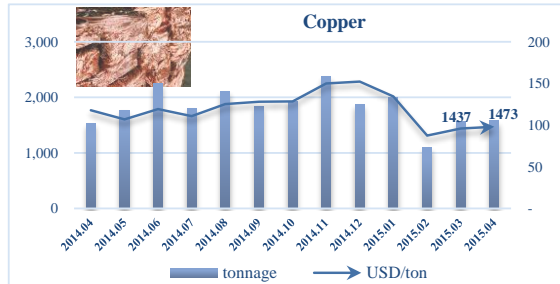
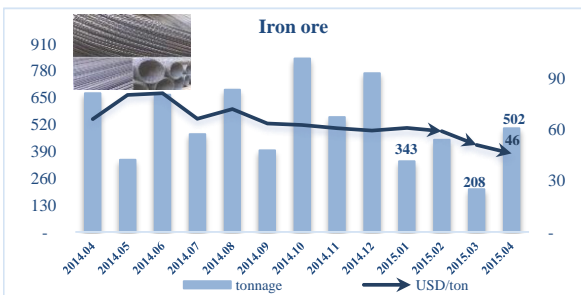


MONETARY POLICY STATEMENT

On April 10, 2015, the Monetary Policy Committee made the decision to retain the official interest rate at its current level.

Major export commodity prices and volumes

Monthly export volumes and prices for Mongolia's major commodities for the past 12 months are presented in the following tables.



Mongolia's exports of raw materials over the past 3 years
(In thousands of us dollars, tons)

Голлох бүтээгдэхүүн	2012 он		2013 он		2014 он	
	Тонн	Ам.доллар	Тонн	Ам.доллар	Тонн	Ам.доллар
Чулуун нүүрс	20574	1 880 396	18 194	1 116 153	1 106	850 615
Төмрийн хүдэр	6415	532 509	6725	654 333	8 338	448 378
Бажмал	575	838 780	650	948 951	1 378	2 575 636
Нийт	27564	3 251 685	25 569	2 719 437	10 822	3 874 629



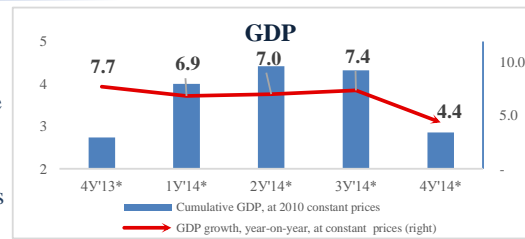
"Mongolia Economic Forum 2015," the sixth annual edition was held in State Palace on April 2-3, 2015. The theme for this years event centred on "Building credibility" and included the involvement of both the President and Prime Minister of Mongolia.

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Macroeconomic Indicators

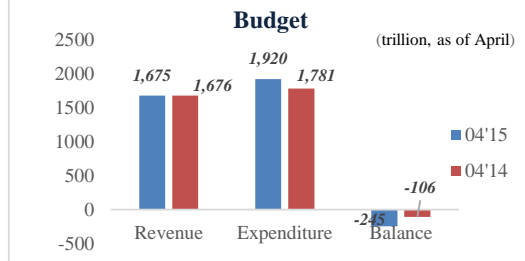
April 2015

GDP GDP at constant prices in the first quarter of 2015 totaled MNT 2.9 trillion, a 119.6 billion or 4.4 percent increase compared to the same period of the previous year. For the same period, the agricultural sector grew by 9.2 percent, the industry and construction sector by 13.1 percent, and the services sector by 3.3 percent.



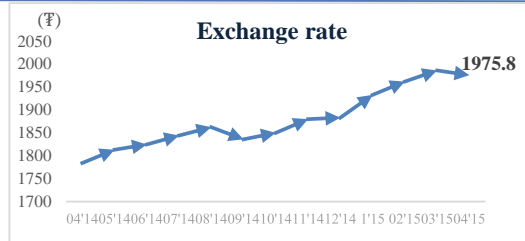
Budget

At April, cumulative state budget revenue totaled MNT 1.67 trillion, while expenditure totaled 1.92 trillion, resulting in a deficit of 244.8 billion. This equates to a 139.2 billion or 131.7 percent increase in the size of the deficit from 12 months previous.



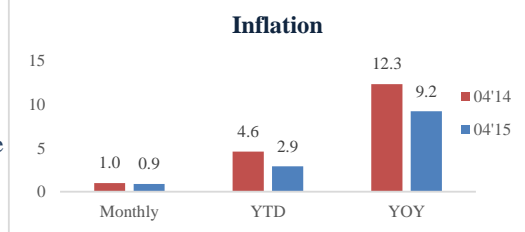
Exchange rate

In April, the Mongolian tugrik further appreciated in the forex market, with USD 1 averaging MNT 1,975.8 for the month of April. While this is a 1.2 percent increase from previous month, it remains a 4.9% depreciation from the start of 2015 and a 10.7% fall from the same period previous year.



Inflation

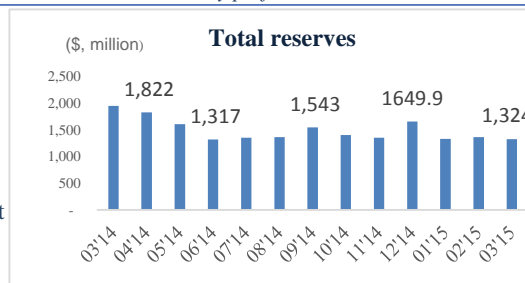
In April 2015, the Consumer Price Index rose 0.9 percent from the previous month, and by 9.2 percent compared to the same period previous year. For the month there was a 0.9 percent increase in food and non-alcoholic beverages, a 2.7 percent rise in the price of water, while clothing, fabrics, accessories and footwear group increased by 0.7 percent.



* Preliminary performance, Source NSO, BOM

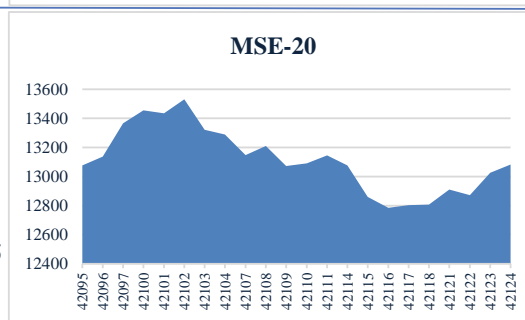
Foreign exchange reserves

Foreign exchange reserves were USD 1,324 million in March 2015. This is a 2.8 percent, or US 39 million fall from the previous month and 31.9 percent reduction from the same period last year - a decrease of USD 619 million. The BoM's total gold reserves fell by 25 percent from the same period last year to total 1522.2 pounds.



MSE-20 index

Total value of securities traded in April were MNT 431.2 billion, with over 15.4 million transactions. This is a 372 billion, or 7 fold increase compared with the same period of the previous year. The Top-20 index in April 2015 was 13,113.7, a fall of 402.5 points from the previous month.



* Mongolian Stock Exchange

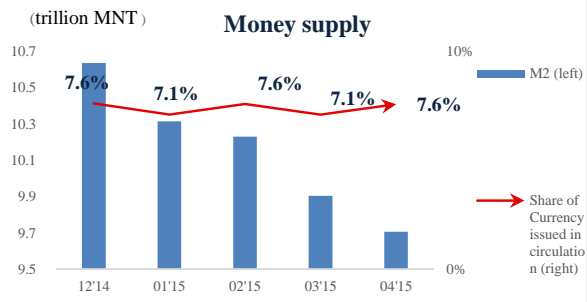
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The financial sector

April 2015

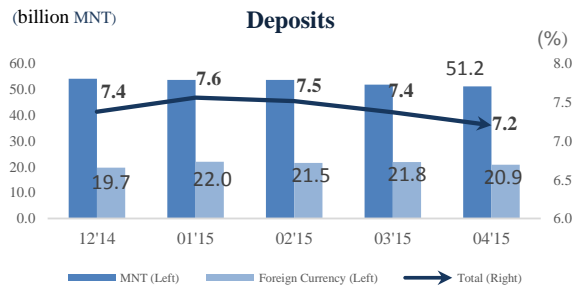
Money

The M2 Money supply at the end of April 2015 totaled MNT 9.7 trillion, a 198.7 billion or 2% fall from the previous month and 498.3 billion or 4.9 percent from the same period of the previous year respectively. Cash flows from April to 734.9 billion, an increase of 32.1 billion or 4.6% over the previous month, a decrease of 106.7 billion or 12.8% from the same period last year.



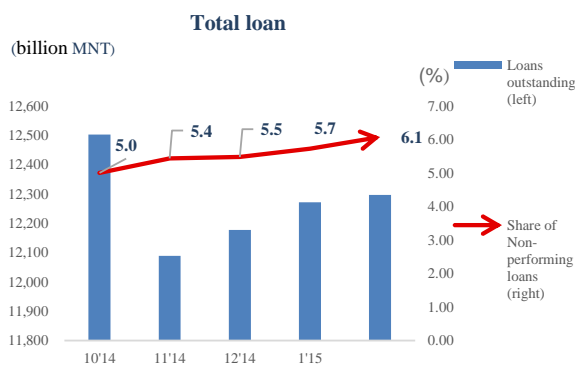
Deposits

Total deposits totaled MNT 7.2 trillion in April 2015, a decrease of 166.9 billion or 2.3 percent from last month. This included a 1.4 percent fall in MNT deposits and a 4.3 percent fall in foreign currency deposits. In annual terms, the result was an increase of 187.6 billion or 0.1 percent from the same period last year, with a 10.9% fall and 43.7% increase in domestic and foreign currency deposits respectively.



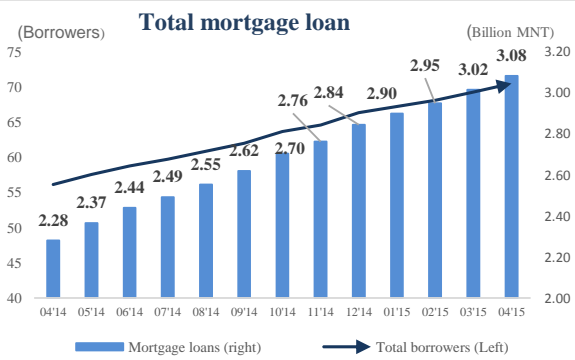
Loans

Total outstanding loans for enterprises, organizations was MNT 12.3 trillion as of April 2015, a 26.3 billion or 0.2 percent increase from the previous month and 559 billion, or 4.8% rise compared with previous year. For the same period, non-performing loans rose to 747 billion, a 5.1% (36 billion), increase from previous month and 21.2% (131 billion) increase from the same period last year. Share of Non-performing loans has now increased for seven consecutive months, representing 6.1% of total.



Mortgages

As of April 2015, total value of outstanding mortgage loans rose by 2.2 percent (67 billion) from the previous month and 35.2 percent (802.2 billion) from the same period of the previous year, to reach MNT 3.08 trillion. The split of mortgage loans between MNT and foreign currencies is presently 98/2% in favour of domestic, and the total market share of non-performing mortgage loans is 0.5 percent.

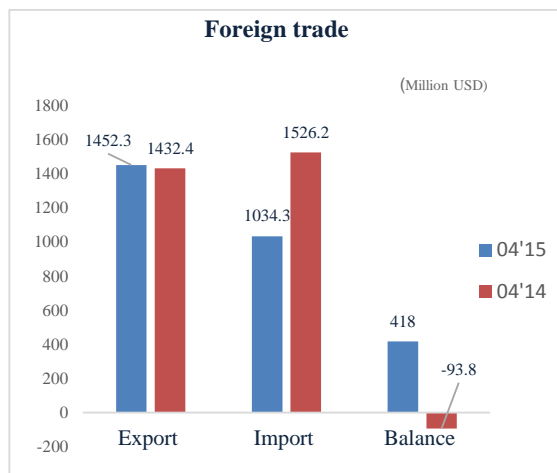


* Source BoM

Foreign Trade

Foreign Trade

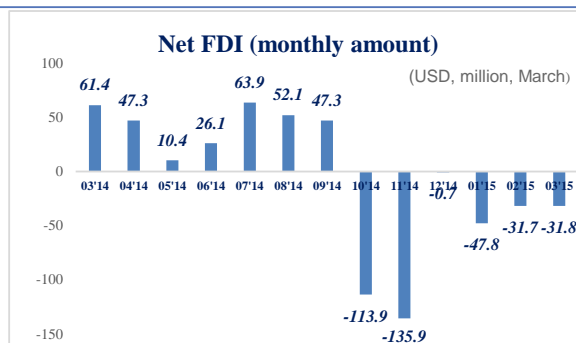
In April 2015, there was total trade turnover of USD 2,486.5 million, of which exports totaled 1,452.3 million and imports reached 1,034.3 million. This resulted in foreign trade surplus of 418 million. Total turnover fell 471.8 million or 15.9 percent from the same period previous year, with imports responsible for most of the fall (down 491.9 million or 32.2 percent), while exports rose marginally by 20.1 million or 1.4 percent. The increase in exports is attributable to mineral products, precious stones and metals, gold, metal products, machinery and electrical appliances, while the fall in imports is from machinery and mechanical appliances, electrical appliances, spare parts, etc.



* Source NSC, BOM

Foreign direct investment

Net Foreign Direct Investment inflows in March were USD - 31.8 million. This is a decrease of 94 million from the same period of the previous year. The fall is attributable to significant loan repayments made by foreign investment holding companies in 2015.



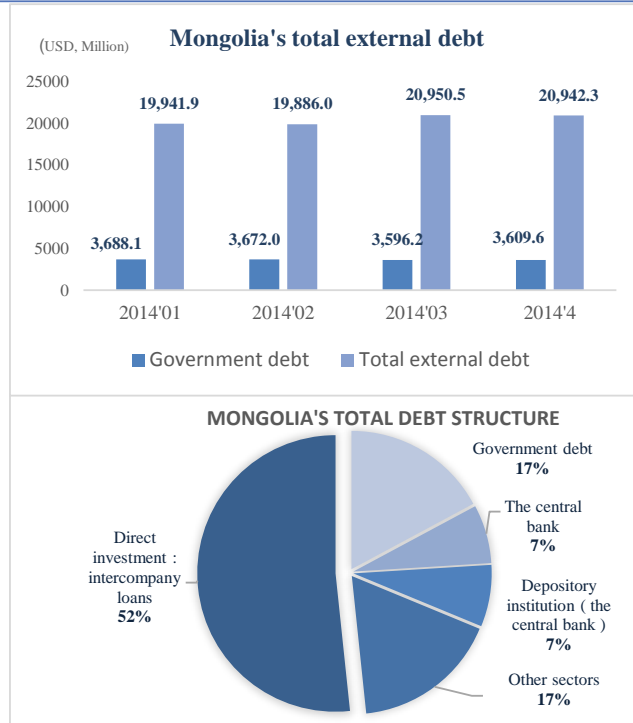
* Source NSC, BOM

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Mongolia foreign debt and credit ratings
External debt

Mongolia's total public foreign debt was worth USD 3.6 billion at March. Total external debt outstanding at the end of 2014 was 20.9 billion. This was a 10 per cent (1.9 billion) increase from the same period of the previous year, but a fall of 0.04 percent (8.2 million) from the previous quarter. Of the total debt, 17 percent is attributable to the Government, 7 percent to the Central Bank, 8 percent to depository institutions, 17 percent to other sectors, and 51 per cent to inter-company loans. 95% of the total debt from the Central Bank is short-term, while long-term liabilities account for 5 per cent of total.



* Source BOM

Government external debt projections for 2015-2017

MNT billions

Indicators	2014.09.3 Performance	2015	2016	2017
Government foreign debt	3,911.50	4,089.20	4,299.10	4,169.30
Government foreign debt securities	2,760.80	2,625.00	2,550.00	2,490.00
Government guarantees	2,305.50	2,515.80	2,439.20	1,312.50
Government external debt	8,977.80	9,230.00	9,288.30	7,971.80

* Source News report from the Ministry of Finance

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April 2015

External debt and credit ratings

Credit ratings	S&P		Fitch	
	Mongolia	B+	Stable	B+
Date	2014.04.29		2013.12.13	

Standard & Poor's last changed its rating for Mongolia in April 2014. Mongolia's long-term credit rating fell from "BB" to "B +" with a stable outlook. Prior to this change, the country's credit rating "BB +" had not changed since April 2013.

The cited reasons for Mongolia's decline in credit rating were due to the decrease in foreign investments of approximately 50%, as well as the ongoing current debt burden and foreign exchange risk.

Moody's :

Moody's credit rating for Mongolia has not changed since July 2014, with a B2 classification and negative outlook.

Date	Credit ratings	Perspective
On December 4, 2005	B1	Stable
On June 10, 2009	B1	Negative
On October 30, 2009	B1	Stable
On May 26, 2014	B1	Negative
On July 17, 2014	B2	Negative

Moody's credit rating reduced.

Moody's international credit rating for Mongolia was reduced from B1 to B2 on 17 July 2014. The cited reasons were (i) a sharp deterioration in Mongolia's external liquidity position - a substantial increase in Mongolia's foreign debt in recent years, high inflation and a large increase in the amount of non-performing loans in the banking system, and (ii) an expansionary fiscal stance. At the same time, Moody's issuer and bond ratings of B1 were also downgraded to B2.

The senior unsecured rating of the government-owned Development Bank of Mongolia was reduced to B2, with Moody's indicating that "Since DBM's payment obligations carry a credit guarantee of the Government of Mongolia, its debt obligations justify a rating at the same level".

Moody's has indicated that Mongolia will remain on negative outlook due to (i) inadequate foreign currency reserves (ii) unsustainable credit growth and inflationary pressures and (iii) unsustainable off-budget fiscal expenditure.

In March 2015, Moody's credit rating report issued by commercial banks of Mongolia. This report is available for download from.

* Source <http://www.moodys.com/>
<http://www.standardandpoors.com/>
<http://www.fitchratings.com/>

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March 2015

Highlights of the month

- 1-Apr** "Mongolian Mining 2015", international mining & oil expo was held for the fifth year at the Buyant-Ukhaa Sports Complex on April 1-3. The event included exhibition from all parts of the country, as well as attendees from countries such as Russia, China, Japan, Turkey, Sweden, and France. Over 120 companies from 15 countries participated.
- 1-Apr** The BoM altered regulations on the Bank's minimum capital requirement for banks under the legislation since it was first set at MNT 50 million in 1991. This amount was revised upward to MNT 50 billion. This is a part of the policy measures the President of Mongolia announced on 04 January 2015 (Order No. 58-A).
- 9-Apr** Annual Coal Mongolia conference was held on April 9-10 at the SS-Convention Center. Over 600 international representatives and more than 50 company exhibitors, a total of 2,000 coal industry representatives attended the exhibition.
- 16-Apr** Mongolia's President Elbegdorj at the invitation of the President of Hungary Janos Adyer, along with his wife Anita Khyertsyegin made an official visit to the country on April 14-16.

Overview

"Mongolia Economic Forum-2015"

The 2015 Mongolia Economic Forum was held on the 2 and 3 April. In attendance were over 1,500 individuals, including close to 200 media representatives. The theme for the event was "Building credibility" encouraging different domestic and international stakeholders to discuss the current problems being experienced with Mongolia and the path to building credibility in a global setting.

Coal Mongolia Conference

This event recognizes the importance of the competitiveness of the coal industry, the large projects contributing to its development and the alternative energy markets Mongolian coal might be able to enter in producing electricity and gas exports.

TT project

Ongoing TT talks between the Mongolian Government and investor's consortium have been further delayed by the Mongolian Parliament, with questions arising around the legality of the proposed agreement between the two parties.