

MONGOLIA: MONTHLY MACROECONOMIC
OVERVIEW

February 2017

GDP growth of 1 percent Q4 2016 (YoY)	FDI reached USD -36.4 million (in January 2017)	Budget deficit MNT -211.7 billion	Inflation 2.1 percent	Non-performing loans increased by MNT 1187 billion	USD 1 billion in BoM foreign currency reserves in January
The agricultural and service sector increased by 13 percent and 10 percent respectively.	Net FDI decreased by USD 9.9 million on the same period last year, investment inflows amounted to USD -36.4 million.	MNT 1034 billion in revenue, MNT 1175 billion in expenditure and a balance deficit of MNT (211.7) billion.	An increase of 0.9 percent on the previous month, increased by 2.1 percent compared to the same period of the previous year.	Non-performing loans increased by 14.4 percent compared to the previous month, increased by 33.5 percent compared to the same period of the previous year reaching a total of MNT 1187 billion.	Decreased by USD 207 million or 16 percent compared to the same period of the previous year. The amount of foreign currency reserves reached USD 1117 million.



Average USD/MNT nominal exchange rate
2478.29₮



Housing price index
1.009
increased by 2.8 percent compared to the previous month and decreased by 4.4 percent YoY



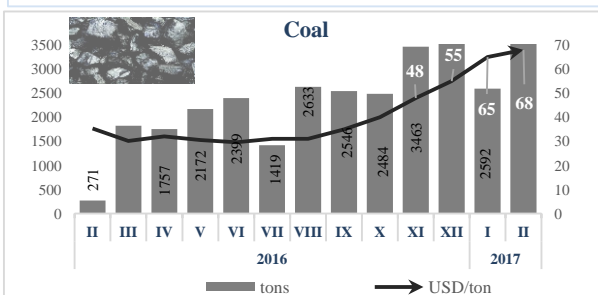
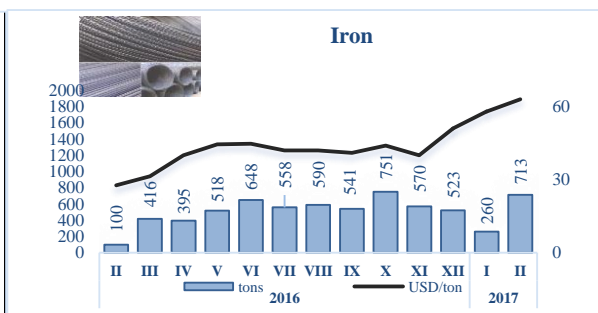
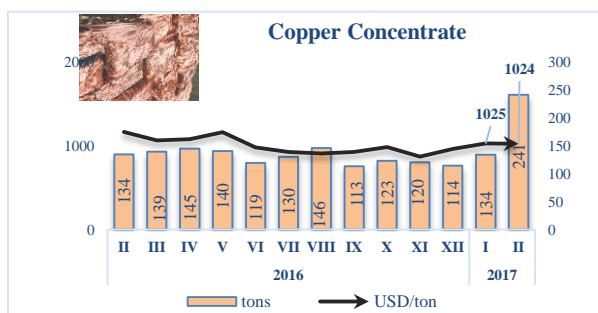
BoM policy rate
14 percent



Mongolians celebrated the traditional holiday Tsagaan sar on February 27-01, 2016 which marks the year of the Rooster.

Major export commodity prices and volumes

Please see below monthly export volumes and prices for Mongolia's major commodities over the past 12 months.



Mongolia's exports of raw materials over the past 3 years

Major products	2015		2016		January, 2017	
	Amount (tons)	Revenue (USD)	Amount (tons)	Revenue (USD)	Amount (tons)	Revenue (USD)
Coal	14.4	0.6	25.7	9.7	4.7	3.2
Iron ore	6.3	0.2	6.1	2.4	7.1	4.4
Copper	1.4	2.3	1.5	1.6	2.4	2.4
Total	22	3	33	14	14	10

Source: National Statistics Office

Macroeconomic Indicators

February 2016

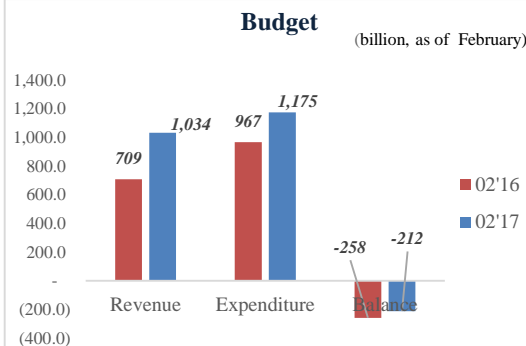
GDP

Cumulative GDP at constant prices in the fourth quarter of 2016 reached MNT 16 trillion, an increase of MNT 65.6 billion or 1 percent compared to the same period of the previous year. For the same period, the agricultural and service sector increased by 13 percent, and the service sector by 10 percent.



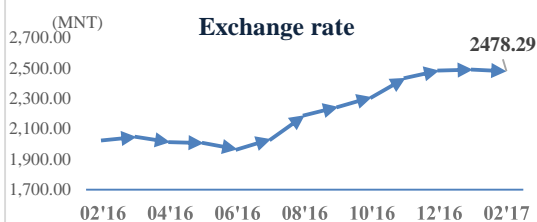
Budget

Government revenue increased by 45.9 percent and expenditure increased by 21.5 percent from the same period of the previous year representing a budget deficit of MNT 211.7 billion MNT. Total expenditure and net lending of the General Government Budget reached MNT 46.4 billion which indicates revenue growth in spending was more than 24.4 percentage points.



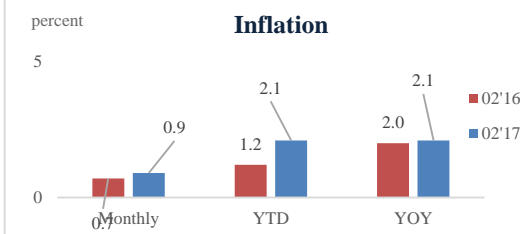
Exchange rate

In February, the MNT further depreciated against the USD. The average nominal exchange rate against the US dollar was MNT 2478.29. This is a 22.4 percent or MNT 454 increase from the same period of the previous year; a 0.4 percent or MNT 10 increase from the previous month.



Inflation

In February 2017, the Consumer Price Index increased by 0.9 percent on the previous month, and increased by 2.1 percent to the previous compared to the same period last year. This change of 2.1 percent from the same period of the previous year was mainly due to the increase of 2 percent in prices of food and non-alcoholic beverages group (milk products increased by 5.8 percent), 2.6 percent in prices for housing, water, electricity, gas and other fuels group.



* Preliminary results, Source NSO, BoM

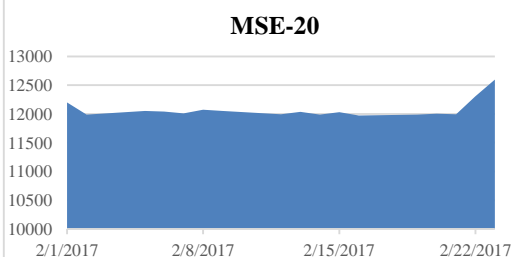
Foreign exchange reserves

As of January 2017, foreign exchange reserves were USD 1117 million. This is a 13.8 percent, or USD 179 million decrease compared to the previous month and a decrease 16 percent or USD 207 million compared to the same period of the previous year.



MSE-20 index

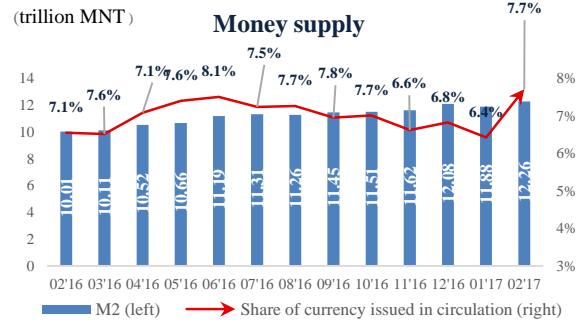
In February 2017, 1.7 million pieces securities were traded valued at 54.3 billion in the stock market. The securities trade decreased by 16.6 million or 44 percent compared to the last month. The Top-20 index in February was 12122 points, an increase of 115 points from the previous month and an increase of 328 points from same period of the previous year, respectively.



* Mongolia Stock Exchange

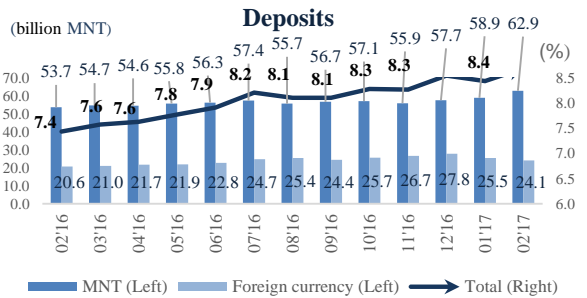
Money

Money supply (M2) at the end of February increased by 22 percent compared to the same period of the previous year and increased by 3.1 percent compared to last month. M2 reached MNT 12 trillion. The currency issued in circulation increased by 44.1 percent compared to the same period of last year and increased by 23.8 percent from last month.



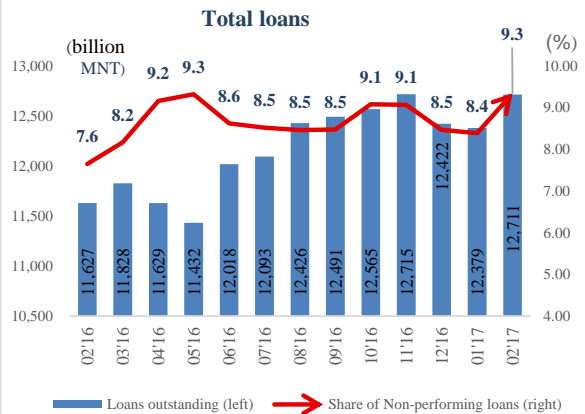
Deposits

Total deposits were MNT 8.6 trillion in February 2017, an increase of 252 billion or 3 percent on the previous month. This is an increase of MNT 1257.1 billion or 16.9 percent on the same period last year. Savings in local currency increased by MNT 390 billion or 17 percent whereas foreign currency deposits decreased by 5.5 percent or MNT 138.9 billion.



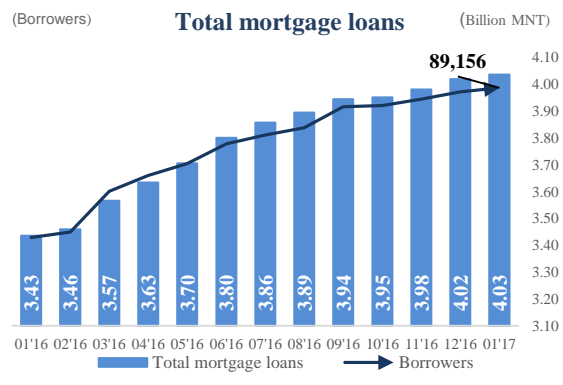
Loans

Total loans outstanding for businesses and individuals were MNT 12.7 trillion as of February 2017, which is an increase of 2.7 percent on the previous month and an increase of 9.3 percent compared to the previous year. Non-performing loans amounted to MNT 1187 billion, a 14.4 percent increase on the previous month and a 33.5 percent increase on the same period of last year. The share of non-performing loans made up 9.3 percent of total loans.



Mortgage

As of January 2016, the total value of outstanding mortgage loans rose by 0.4 percent (MNT 16.6 billion) on the previous month and increased by 17.5 percent (MNT 600 billion) from on the same period of the previous year, reaching MNT 4 trillion. In January, MNT 38.8 billion in mortgage loans were granted to 326 applicants and the total number of borrowers reached 89,482. The ratio of mortgage loans between MNT and foreign currency is presently 99.3/0.7 percent in favor of domestic currency.

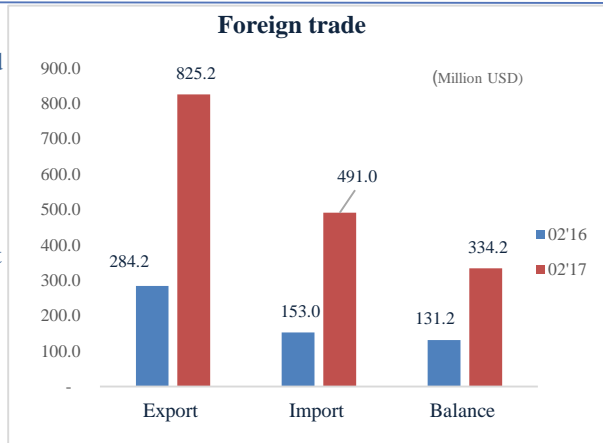


* Source Bank of Mongolia

Foreign Trade

Foreign Trade

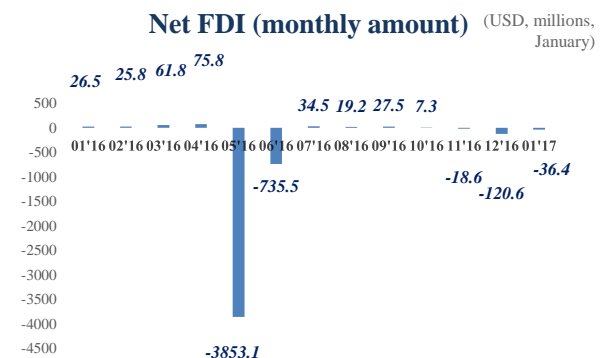
In February 2017, total trade turnover reached USD 1316 million, of which exports totalled USD 825.2 million and imports amounted to USD 491 million, resulting in a foreign trade surplus of USD 334.2 million. Compared to the previous year, total turnover increased by 201 percent, exports increased by 190 percent and imports increased by 220 percent. The import increased by USD 138.9 million was mainly due to USD 56 million increase in mineral products import, specially USD 29.9 million increase in diesel import and USD 12.7 million increase in petrol import.



* Source NSO, BoM

Foreign direct investment

Net Foreign Direct Investment inflows in January 2017 amounted to USD -36.4 million. This is a decrease of USD 9.9 million compared to the same period of the previous year. Investments outflow equated to USD 1.9 million, while investment inflows amounted to USD 38.3 million.

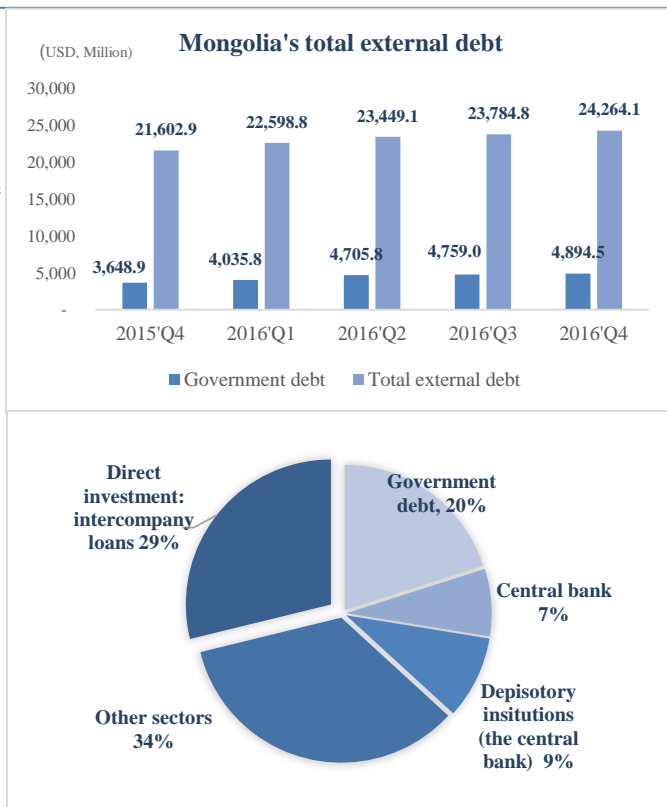


* Source NSO, BOM

Mongolia's foreign debts

External debt

In the fourth quarter of 2016, Mongolia's total public foreign debt stood at USD 4.8 billion. Mongolia's total external debt outstanding is USD 24.2 billion. Government debt decreased by 3 percent compared to the previous quarter (USD 135 million) and total external debt decreased by 2 percent on the previous quarter (479 million). Of the total debt, 20 percent is attributable to the government, 7 percent to the central bank, 10 percent to depository institutions, 34 percent to other sectors, and 29 percent to inter-company loans.



*Source Bank of Mongolia

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

External debt and credit ratings

Credit ratings	S&P		Fitch	
	Mongolian	B- Positive	B	Negative
	Date	2016.8.19	2013.12.13	
	Standard & Poor's downgraded Mongolia's sovereign rating from B grade to -B grade in August 2016. The main reasons behind the downgrades were non-investment, a risky economy and an unstable market. Mongolia's economy is dependent on the mining sector, which has caused financial instability in the economy, and is the main reason behind the rating downgrade.			

Moody's :

Moody's credit rating for Mongolia has changed since September 2016, with a B3 classification and a negative outlook.

Date	Credit ratings	Perspective
June 10, 2009	B1	Negative
October 30, 2009	B1	Stable
May 26, 2014	B1	Negative
July 17, 2014	B2	Negative
September 05, 2016	B3	Negative
November 18, 2016	Caa1	Negative

Moody's international credit rating for Mongolia reduced from B3 to Caa1 in November, 2016. The cited reasons were (i) heightened uncertainty regarding the government's ability to meet its direct and indirect debt service obligations over the next two years and to shore up Mongolia's external liquidity, and (ii) the budget deficit will remain wider for longer than previously expected, which, combined with a weaker growth outlook in the coming 2 years, will raise the government's debt burden to elevated levels

Highlights of the month

2.18

The government has reached an agreement with the International Monetary Fund (IMF) team on the financing of a three-year extended fund facility (EFF) program for 440 million USD. Asian Development Bank (ADB), World Bank, and the governments of Japan and South Korea are expected to provide a combined three billion USD in budget and project support, making the government's total external financing package 5.5 billion USD.