

**MONGOLIA: MONTHLY MACROECONOMIC
OVERVIEW**

January 2017

GDP growth of 1 percent Q4 2016 (YoY)	FDI reached USD -120.6 million (in December 2016)	Budget deficit MNT -25.3 billion	Inflation 3.3 percent	Non-performing loans increased by MNT 1038 billion	USD 1.2 billion in BoM foreign currency reserves in December
The agricultural and service sector increased by 13 percent and 10 percent respectively.	Net FDI decreased by USD 51.3 million on the same period last year, investment inflows amounted to USD-120.6 million.	MNT 483.4 billion in revenue, MNT 465.8 billion in expenditure and a balance deficit of MNT (25.3) billion.	An increase of 1.1 percent on the previous month, increased by 3.3 percent compared to the same period of the previous year.	Non-performing loans decreased by 0.8 percent compared to the previous month, increased by 16.1 percent compared to the same period of the previous year reaching a total of MNT 1038 billion.	Decreased by USD 27 million or 2 percent compared to the same period of the previous year. The amount of foreign currency reserves reached USD 1296 million.



Average USD/MNT nominal exchange rate
2488.38₮



Housing price index
0.981
decreased by 2.8 percent compared to the previous month and decreased by 7.1 percent YoY



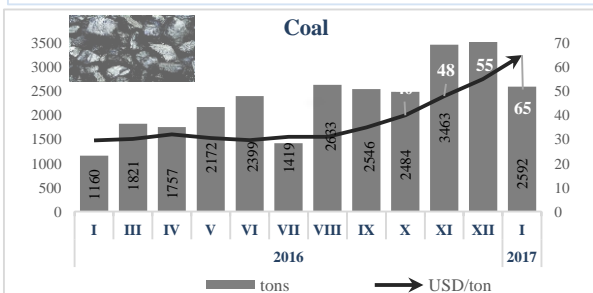
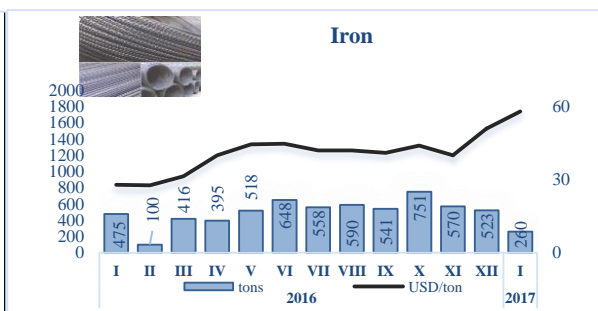
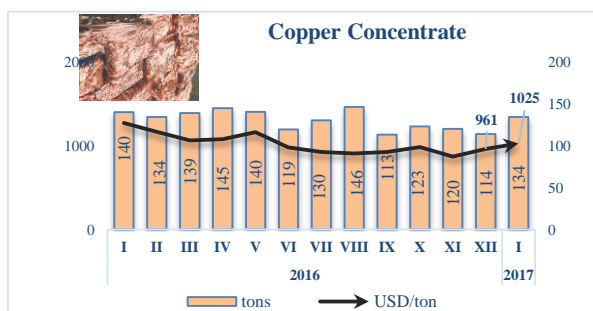
BoM policy rate
14 percent



The 25th anniversary of the Constitution of Mongolia was marked on January 13th of 2017. In its contemporary history, Mongolia has adopted a Constitution four times: in 1924, 1940, 1960 and 1992. On this day, numerous other events were held, such as a wreath-laying ceremony at the Statue of D.Sukhbaatar, a ceremony to pay tribute to the Monument of Chinggis Khaan, an exhibition of archival documents at the State History Museum and a traditional wrestling competition at the National Wrestling Palace.

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
(In thousands of US dollars, tons)

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	2.5	1.6
Iron ore	6.3	0.2	6.1	2.4	2.5	1.5
Copper	1.4	2.3	1.5	1.6	1.3	1.3
Total	22	3	33	14	6	4

Source: National Statistics Office

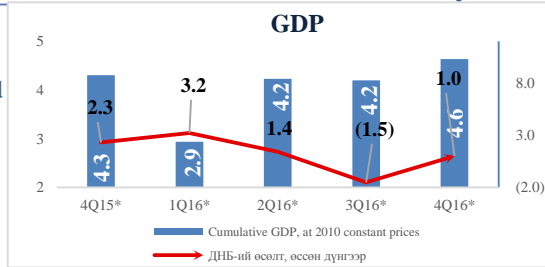
The Government approved a regulation to cut the electricity night tariff for ger district households to zero, especially from 9pm to 6am, aiming at reducing air pollution of Ulaanbaatar city. The discount come into effect from Jan 1st, 2017 and is projected to finish on March 1, 2017. The Government has faced a MNT 3.2 billion deficit since 2015, when it began providing a 50 percent night tariff discount on electricity to ger district households. However this year, providing free electricity to ger district households at night is expected to cause a MNT 25.8 billion deficit.

Macroeconomic Indicators

January 2016

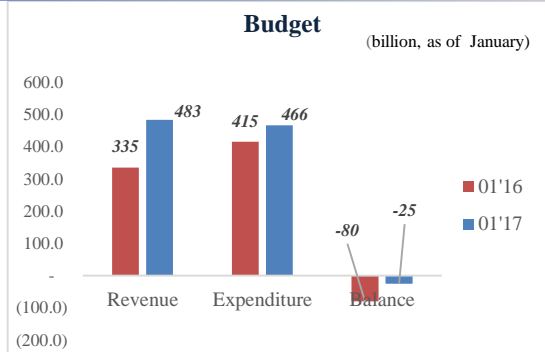
GDP

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.



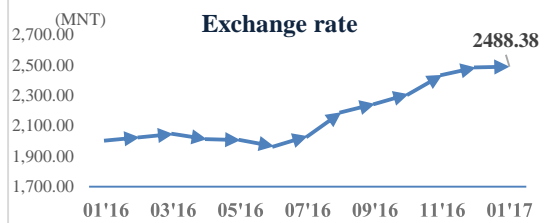
Budget

Government revenue increased by 44.2 percent and expenditure increased by 12.3 percent from the same period of the previous year representing a budget deficit of MNT 25.3 billion MNT. Total expenditure and net lending of the General Government Budget reached MNT 54.4 billion which indicates revenue growth in spending was more than 19.1 percentage points.



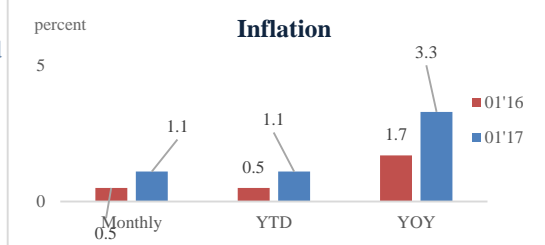
Exchange rate

In January, the MNT further depreciated against the USD. The average nominal exchange rate against the US dollar was MNT 2488.38. This is a 24.2 percent or MNT 485.1 increase from the same period of the previous year; a 0.2 percent or MNT 5.8 increase from the previous month.



Inflation

In January 2017, the Consumer Price Index increased by 1.1 percent on the previous month, and increased by 3.3 percent to the previous compared to the same period last year. This change of 3.3 percent from the same period of the previous year was mainly due to the increase of 6.1 percent in prices of food and non-alcoholic beverages group, 4.3 percent in prices for housing, water, electricity and 3.8 percent in prices for education group.



* Preliminary results, Source NSO, BoM

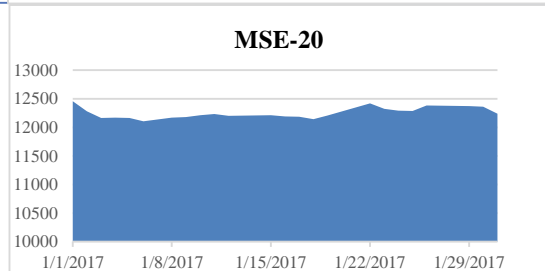
Foreign exchange reserves

As of December 2016, foreign exchange reserves were USD 1296 million. This is a 0.5 percent, or USD 8 million decrease compared to the previous month and a decrease 2 percent or USD 27 million compared to the same period of the previous year.



MSE-20 index

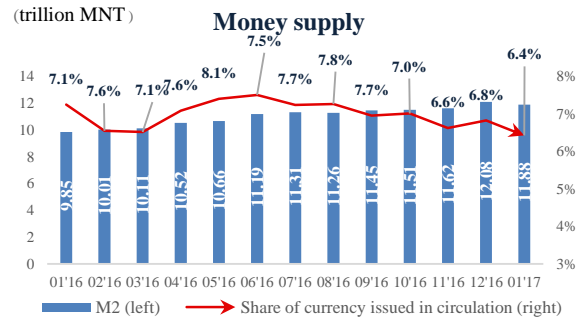
In January 2017, MNT 37.7 billion was traded in the stock market. The securities trade decreased by 26 million or 5.6 percent compared to the last month. The Top-20 index in January was 12237 points, a decrease of 632 points from the previous month and a decrease of 79.7 points from same period of the previous year, respectively.



* Mongolia Stock Exchange

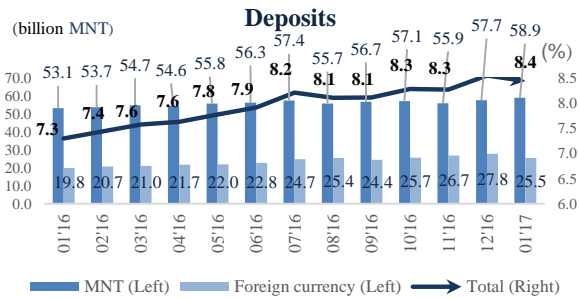
Money

Money supply (M2) at the end of January increased by 20 percent compared to the same period of the previous year and decreased by 1.6 percent compared to last month. M2 reached MNT 11 trillion. The currency issued in circulation increased by 6.9 percent compared to the same period of last year and decreased by 7.4 percent from last month.



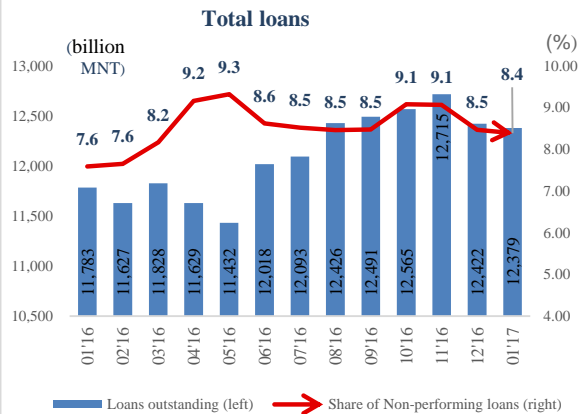
Deposits

Total deposits were MNT 8.4 trillion in January 2017, a decrease of 108 billion or 1.3 percent on the previous month. This is an increase of MNT 1143.1 billion or 15.7 percent on the same period last year. Savings in local currency increased by MNT 127.8 billion or 11 percent whereas foreign currency deposits decreased by 8.5 percent or MNT 235.8 billion.



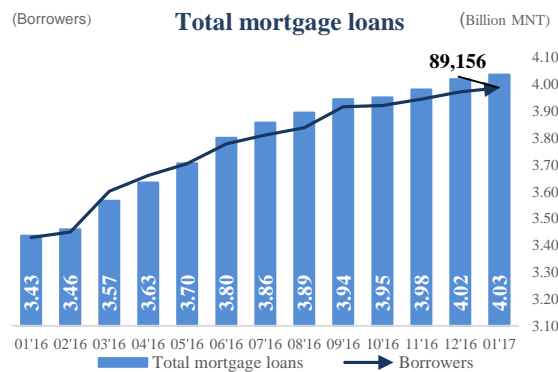
Loans

Total loans outstanding for businesses and individuals were MNT 12.3 trillion as of January 2017, which is a decrease of 0.3 percent on the previous month and an increase of 5.1 percent compared to the previous year. Non-performing loans amounted to MNT 1038 billion, a 0.8 percent decrease on the previous month and a 16.1 percent increase on the same period of last year. The share of non-performing loans made up 8.3 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.

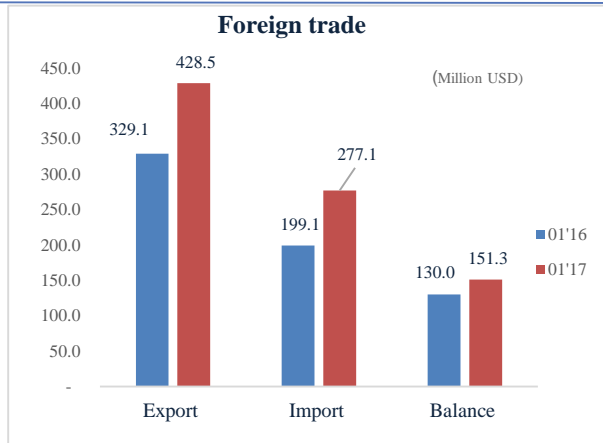


* Source Bank of Mongolia

Foreign Trade

Foreign Trade

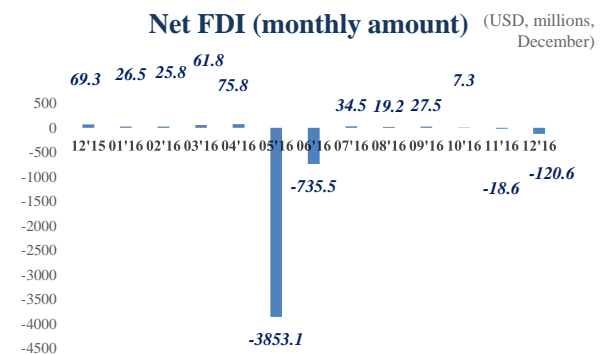
In January 2017, total trade turnover reached USD 705.7 million, of which exports totalled USD 428.5 million and imports amounted to USD 277 million, resulting in a foreign trade surplus of USD 151.3 million. Compared to the previous year, total turnover increased by 33.5 percent, exports increased by 30.2 percent and imports increased by 39.1 percent. Total foreign trade turnover increased by USD 177.4 million (33.6%), of which, exports increased by USD 99.4 million (30.2%) and imports increased by USD 78 million (39.2%) compared to the same period of the previous year.



* Source NSO, BoM

Foreign direct investment

Net Foreign Direct Investment inflows in December 2016 amounted to USD -120.6 million. This is a decrease of USD 51.3 million compared to the same period of the previous year. Investments outflow equated to USD -1.9 million, while investment inflows amounted to USD -122.5 million.

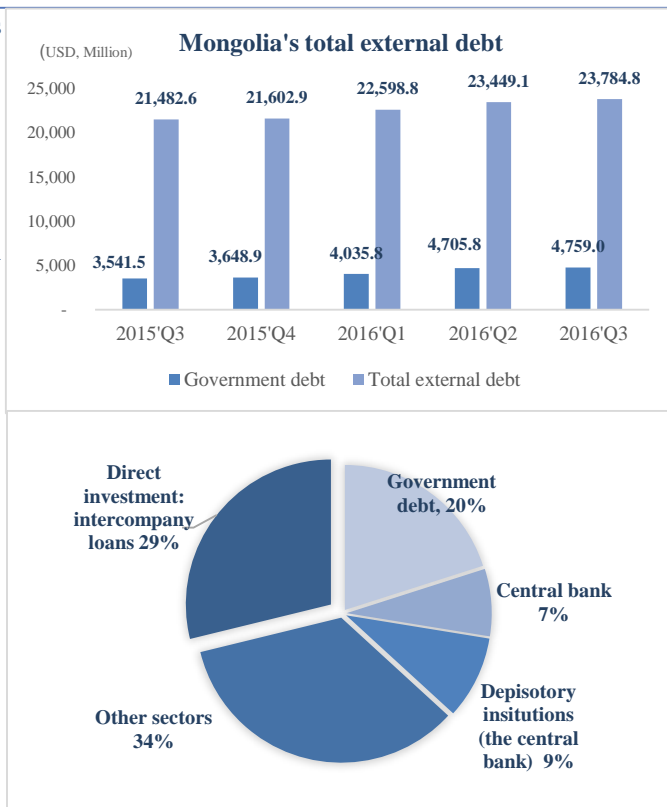


* Source NSO, BOM

Mongolia's foreign debts

External debt

In the third quarter of 2016, Mongolia's total public foreign debt stood at USD 4.7 billion. Mongolia's total external debt outstanding is USD 23.7 billion. Government debt decreased by 1 percent compared to the previous quarter (USD 53 million) and total external debt decreased by 1 percent on the previous quarter (335 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. 96 percent of total debt from the Central Bank is short-term, while long-term liabilities account for 4 percent of the total debt.



*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

1.20

Trilateral National Committee for Labor and Social Agreement issued their decision to increase the minimum monthly wage by 25 percent, up to MNT 240,000 (approximately US\$125). Since the end of 2015, the Mongolian Trade Union (MTU) has been demanding that the government and the Ministry of Labor implement new tripartite negotiations and increase the salaries of state servants. In 2013, the minimum wage was set at 192,000 MNT, and since then, no changes have been made.

1.17-20

The President of Mongolia Ts. Elbegdorj participated in the 47th annual meeting of the World Economic Forum in Davos-Klosters, Switzerland. This year's meeting attracted the heads of state and government of over 80 different countries as well as high-level delegations and more than 2600 representatives from international organizations, private sector and civic society.