

**MONGOLIA: MONTHLY MACROECONOMIC
OVERVIEW**

March 2017

GDP growth of 1 percent Q4 2016 (YoY)	FDI reached USD -7.1 million (in February 2017)	Budget deficit MNT -255 billion	Inflation 2.5 percent	Non-performing loans increased by MNT 1035 billion	USD 1 billion in BoM foreign currency reserves in February
The agricultural and service sector increased by 13 percent and 10 percent respectively.	Net FDI decreased by USD 18.7 million on the same period last year, investment inflows amounted to USD -7.1 million.	MNT 1616 billion in revenue, MNT 1759 billion in expenditure and a balance deficit of MNT (255) billion.	An increase of 0.9 percent on the previous month, increased by 3.1 percent compared to the same period of the previous year.	Non-performing loans increased by 3.2 percent compared to the previous month, increased by 7.3 percent compared to the same period of the previous year reaching a total of MNT 1035 billion.	Decreased by USD 150 million or 21 percent compared to the same period of the previous year. The amount of foreign currency reserves reached USD 1047 million.



Average USD/MNT nominal exchange rate
2459.55₮



Housing price index
1.010
increased by 0.1 percent compared to the previous month and decreased by 3.3 percent YoY



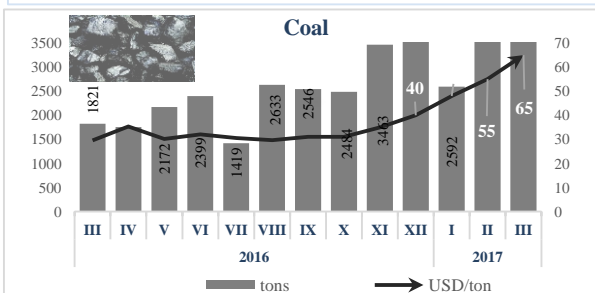
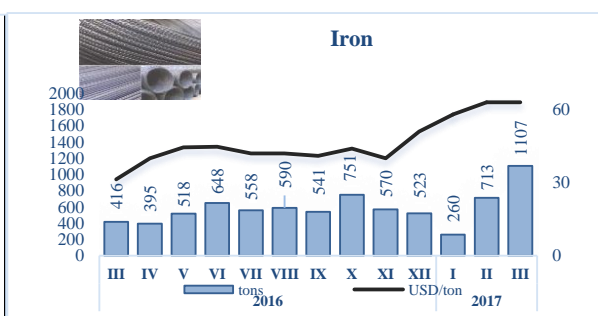
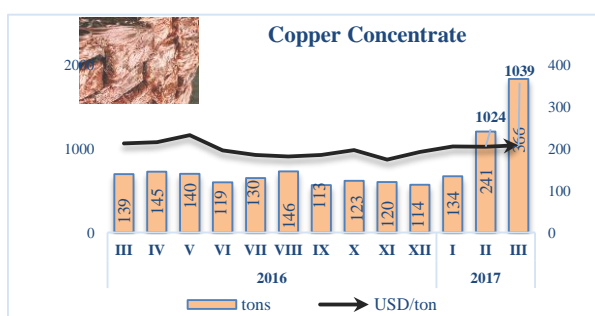
BoM policy rate
14 percent



Prime Minister Abe announced that in the framework of the International Monetary Fund's extended fund facility program under review for implementation in Mongolia, Japan will grant a soft loan of 850 million USD to Mongolia. The Japanese Prime Minister said that he hopes the Japanese loan will help support Mongolia in overcoming the country's economic crisis. The annual interest on the 30-year loan would be between one and 1.5 percent.

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		March, 2017	
	Amount (tons)	Revenue (USD)	Amount (tons)	Revenue (USD)	Amount (tons)	Revenue (USD)
Coal	14.4	0.6	25.7	9.7	8.0	5.3
Iron ore	6.3	0.2	6.1	2.4	1.1	70.0
Copper	1.4	2.3	1.5	1.6	3.6	3.8
Total	22	3	33	14	13	79

Source: National Statistics Office

The average price of new apartment of 1m square between MNT 2,051,000 in February, rose by 0.21 percent from the previous month and by 0.43 percent compared to the same period last year.

Macroeconomic Indicators

March 2016

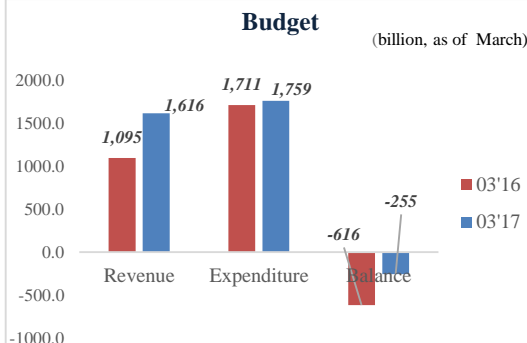
GDP

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.



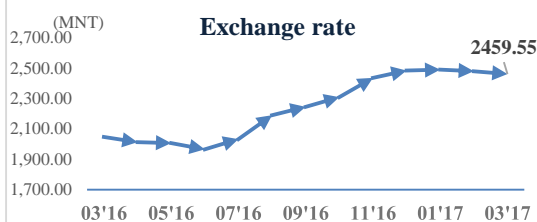
Budget

Government revenue increased by 47.6 percent and expenditure increased by 2.8 percent from the same period of the previous year representing a budget deficit of MNT 255 billion MNT. Total expenditure and net lending of the General Government Budget reached MNT 360.6 billion.



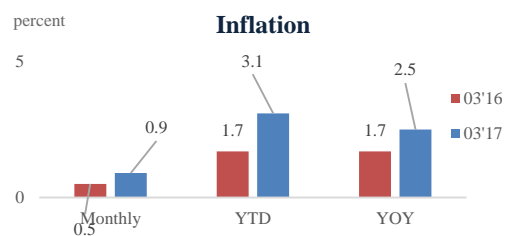
Exchange rate

In March, the MNT further depreciated against the USD. The average nominal exchange rate against the US dollar was MNT 2459.55. This is a 20.2 percent or MNT 413 increase from the same period of the previous year; a 0.8 percent or MNT 18 decrease from the previous month.



Inflation

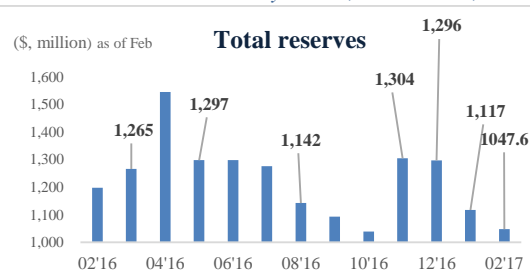
In March 2017, the Consumer Price Index increased by 0.9 percent on the previous month, and increased by 2.5 percent to the previous compared to the same period last year. This change of 2.5 percent from the same period of the previous year was mainly due to the increase of 2.7 percent in prices of food and non-alcoholic beverages group, 4.2 percent in prices for housing, water, electricity, gas and other fuels group and 1.2 percent in prices for clothing, footwear and



* Preliminary results, Source NSO, BoM

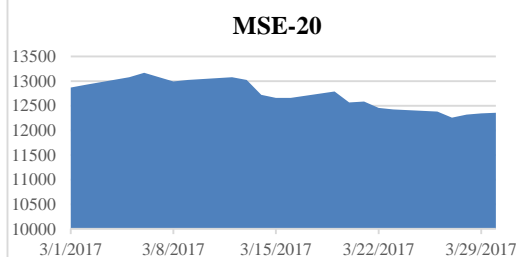
Foreign exchange reserves

As of February 2017, foreign exchange reserves were USD 1047 million. This is a 6.2 percent, or USD 179 69 million decrease compared to the previous month and a decrease 21 percent or USD 150 million compared to the same period of the previous year.



MSE-20 index

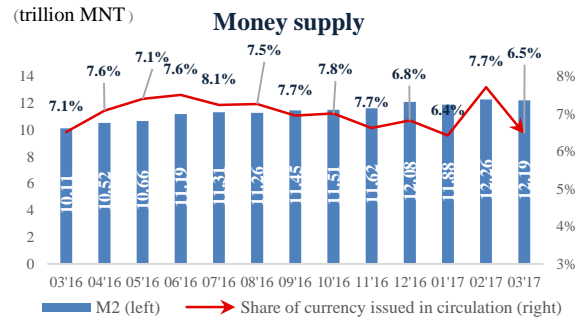
In the first quarter of 2017, 30.5 million pieces securities were traded valued at 224.3 billion in the stock market. The securities trade increased by 157 million or 3.3 percent compared to the same period of the previous year. The Top-20 index in March was 12679 points, an increase of 556 points from the previous month and an increase of 1487 points from same period of the previous year, respectively.



* Mongolia Stock Exchange

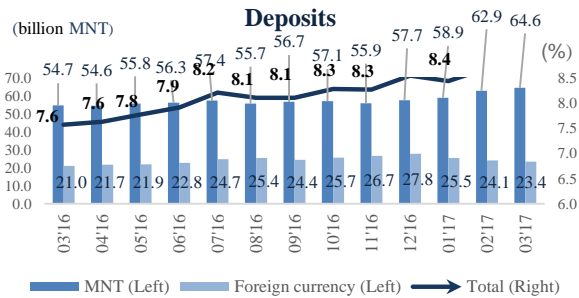
Money

Money supply (M2) at the end of March increased by 20 percent compared to the same period of the previous year and decreased by 0.5 percent compared to last month. M2 reached MNT 12 trillion. The currency issued in circulation increased by 19.6 percent compared to the same period of last year and increased by 16 percent from last month.



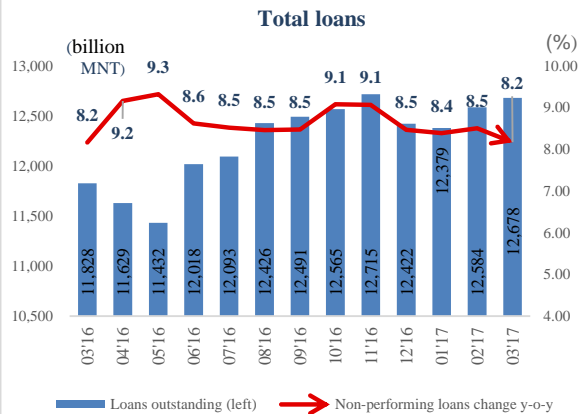
Deposits

Total deposits were MNT 8.7 trillion in March 2017, an increase of 105.9 billion or 1.2 percent on the previous month. This is an increase of MNT 1227.2 billion or 16.2 percent on the same period last year. Savings in local currency increased by MNT 67.5 billion or 18.1 percent whereas foreign currency deposits decreased by 2.8 percent or MNT 67.5 billion.



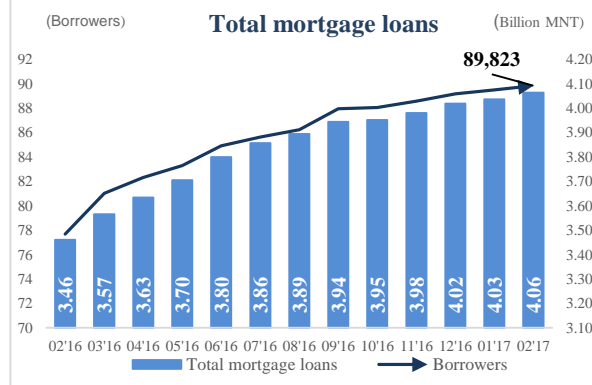
Loans

Total loans outstanding for businesses and individuals were MNT 12.6 trillion as of March 2017, which is an increase of 0.8 percent on the previous month and an increase of 7.2 percent compared to the previous year. Non-performing loans amounted to MNT 1035 billion, a 3.2 percent decrease on the previous month and a 7.3 percent increase on the same period of last year. The share of non-performing loans made up 8.2 percent of total loans.



Mortgage

As of February 2017, the total value of outstanding mortgage loans rose by 0.7 percent (MNT 27.9 billion) on the previous month and increased by 17.4 percent (MNT 603 billion) from on the same period of the previous year, reaching MNT 4 trillion. In February, MNT 27.9 billion in mortgage loans were granted to 341 applicants and the total number of borrowers reached 89,823. 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

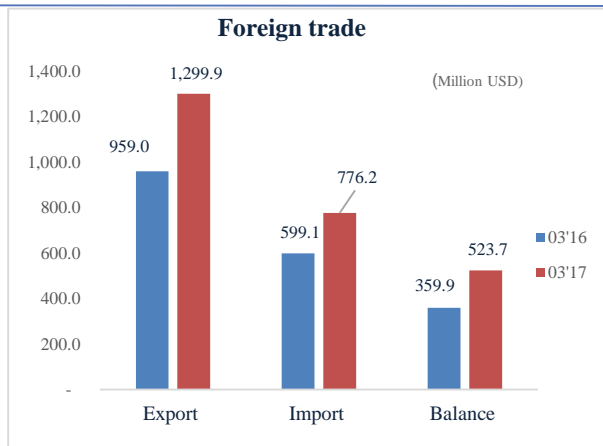
Foreign Trade

In March 2017, total trade turnover reached USD 2076 million, of which exports totalled USD 1299 million and imports amounted to USD 776 million, resulting in a foreign trade surplus of USD 334.2523.7 million.

Foreign Trade

Compared to the previous year, total turnover increased by 33.2 percent, exports increased by 35.5 percent and imports increased by 29.5 percent.

The import increased by USD 29.5 million was mainly due to 52.4 million US dollars rise in machinery, equipment, electric appliances, 27.7 million US dollars increase in transport vehicles, their spare parts and 62.9 million US dollars increase in mineral products import, diesel import and 18.8

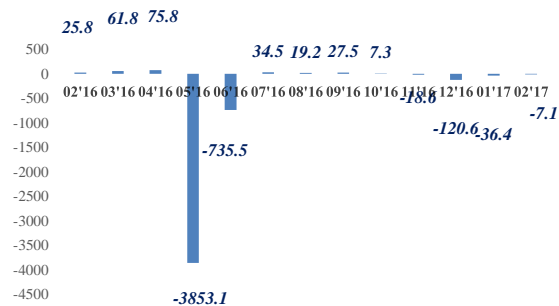


* Source NSO, BoM

Net Foreign Direct Investment inflows in February 2017 amounted to USD -7.1 million. This is a decrease of USD 18.7 million compared to the same period of the previous year. Investments outflow equated to USD -1.4 million, while investment inflows amounted to USD 5.7 million.

Foreign direct investment

Net FDI (monthly amount) (USD, millions, February)

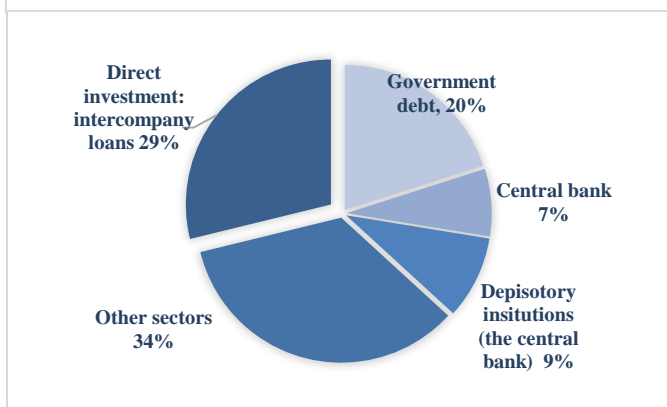
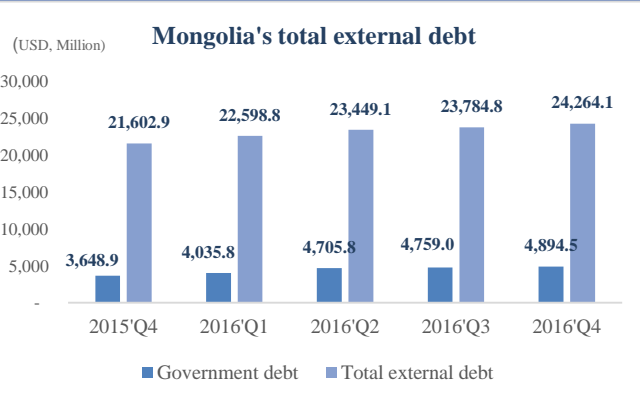


* Source NSO, BOM

Mongolia's foreign debts

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.

External 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

Mongolian	S&P		Fitch	
	B-	Positive	B	Negative
Date	2016.8.19		2013.12.13	
Credit ratings	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

3.24

Ministry of Finance of Mongolia and World Bank launched an Export Development Project on March 24. The project is aimed to help small and medium-sized enterprises in non-minerals sectors to strengthen their export capabilities and boost their access to export markets. The project, to be implemented by the Government of Mongolia in the next four and a half years. In 2015, 87 percent of Mongolia's exports consisted of mining commodities, while making up only 4 percent of the nation's jobs. By contrast, agriculture employs nearly 30 percent of the total workforce, with livestock providing subsistence, income, and wealth for nearly half of Mongolia's population. The project is funded with USD 20 million credit from the International Development Association, the World Bank's fund for the poorest.