

MONGOLIA: MONTHLY MACROECONOMIC
OVERVIEW

April 2017

GDP growth of 4.2 percent Q1 2017 (YoY)	FDI reached USD -148.4 million (in March 2017)	Budget deficit MNT -285 billion	Inflation 3.4 percent	Non-performing loans increased by MNT 1087 billion	USD 1 billion in BoM foreign currency reserves in March
The net taxes on products and service sector increased by 18 percent and 6 percent respectively.	Net FDI decreased by USD 86.6 million on the same period last year, investment inflows amounted to USD -148.4 million.	MNT 2094 billion in revenue, MNT 2379 billion in expenditure and a balance deficit of MNT (285) billion.	An increase of 1.3 percent on the previous month, increased by 3.4 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 156 million or 12.3 percent compared to the same period of the previous year. The amount of foreign currency reserves reached USD 1109 million.



Average USD/MNT nominal exchange rate
2421.85₮



Housing price index
1.012
increased by 0.2 percent compared to the previous month and decreased by 2.1 percent YoY



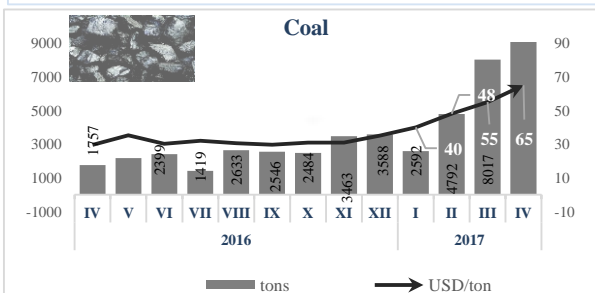
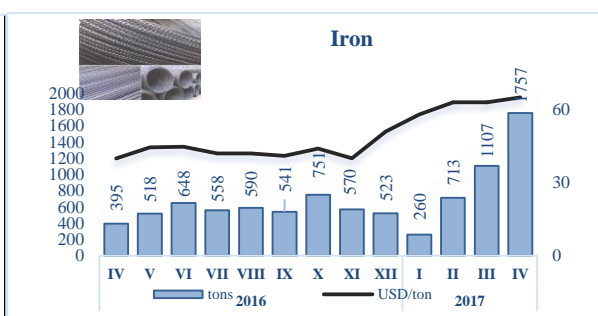
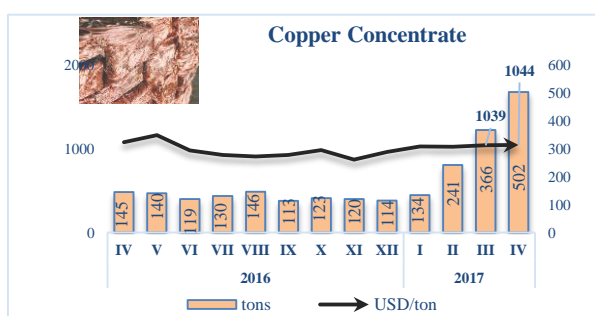
BoM policy rate
14 percent



In the first three months of 2017, BoM buys 2.2 tons of gold from domestic gold enterprises and businesses. This is an increase of 300 tons YTD, +15.7% from 2016.

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		April, 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	1.7	11.0
Copper	1.4	2.3	1.5	1.6	7.6	11.0
Total	22	3	33	14	17	27

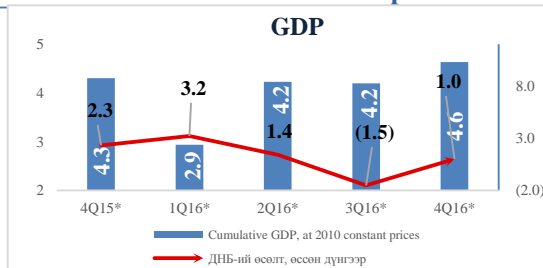
Source: National Statistics Office

Macroeconomic Indicators

April 2016

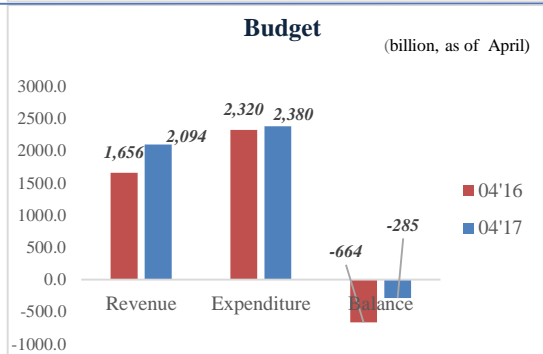
GDP

Cumulative GDP at constant prices in the first quarter of 2017 reached MNT 3 trillion, an increase of MNT 126.2 billion or 4.2 percent compared to the same period of the previous year. For the same period, the net taxes on products and service sector increased by 18 percent and 6 percent respectively.



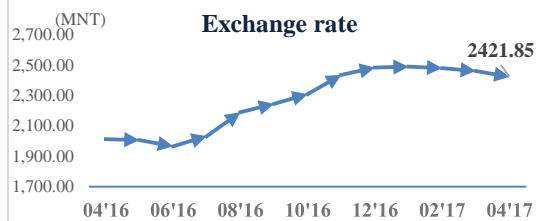
Budget

Government revenue increased by 37.1 percent and expenditure increased by 2.6 percent from the same period of the previous year representing a budget deficit of MNT 285 billion MNT. The tax revenue reached MNT 1799.3 billion showing an increase by MNT 333.8 billion 22.8 percent compared to the same period of the previous year. This growth was mainly affected by increase in income taxes which increased by 2.1 times or MNT 254.9 billion, 34.4 percent increase in value added taxes amounted MNT 107.9 billion.



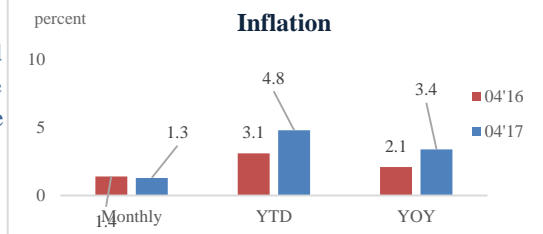
Exchange rate

In April, the MNT further depreciated against the USD. The average nominal exchange rate against the US dollar was MNT 2421.85. This is a 20.4 percent or MNT 409 increase from the same period of the previous year; a 1.5 percent or MNT 37 decrease from the previous month.



Inflation

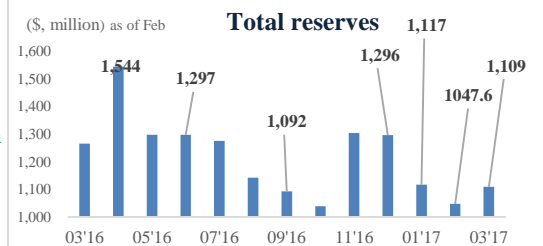
In April 2017, the Consumer Price Index increased by 1.3 percent on the previous month, and increased by 3.4 percent to the previous compared to the same period last year. This change of 3.4 percent from the same period of the previous year was mainly due to the increase of 7.7 percent in prices of transport group, 2.7 percent in food and non-alcoholic beverages group and 2.3 percent in prices for clothing, footwear and cloth group.



* Preliminary results, Source NSO, BoM

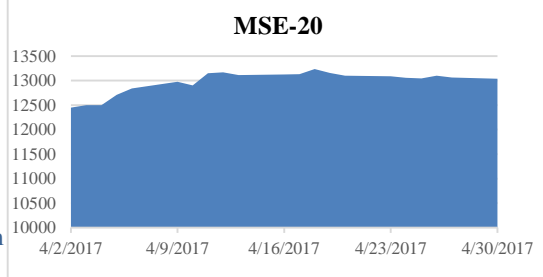
Foreign exchange reserves

As of March 2017, foreign exchange reserves were USD 1109 million. This is a 5.8 percent, or USD 62 million increase compared to the previous month and a decrease 12.3 percent or USD 156 million compared to the same period of the previous year.



MSE-20 index

In April 2017, 4.9 million pieces securities were traded valued at 178.4 billion in the stock market. The securities trade increased by 131.8 million or 3.8 percent compared to the same period of the previous year. The Top-20 index in April was 12999 points, an increase of 320 points from the previous month and an increase of 1979 points from same period of the previous year, respectively.



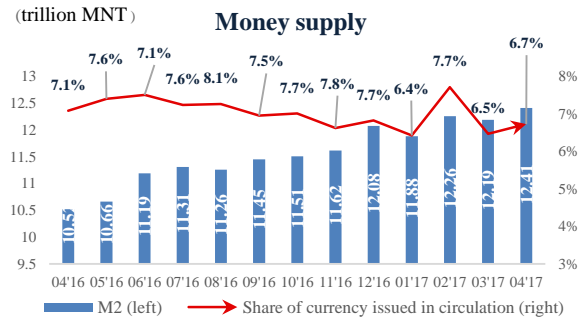
* Mongolia Stock Exchange

The financial sector

April 2016

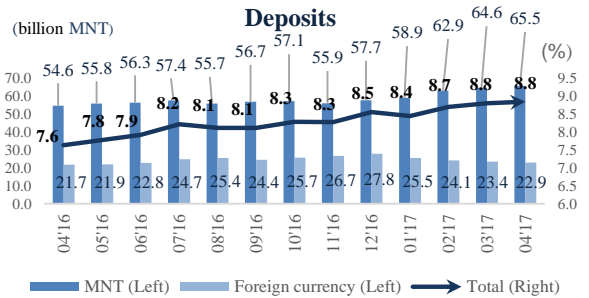
Money

Money supply (M2) at the end of April increased by 18 percent compared to the same period of the previous year and increased by 1.8 percent compared to last month. M2 reached MNT 12.4 trillion. The currency issued in circulation increased by 11.9 percent compared to the same period of last year and increased by 5.8 percent from last month. The share of M2 made up 6.7 percent of total money supply.

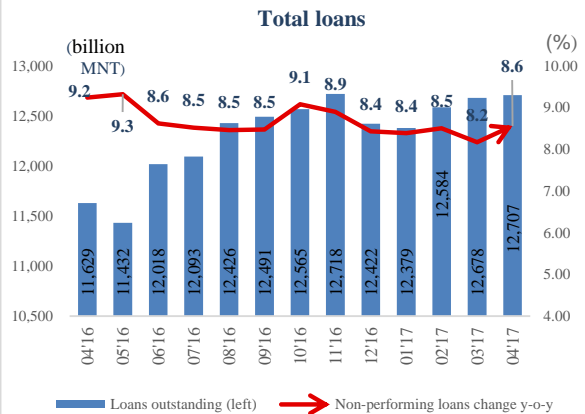


Deposits

Total deposits were MNT 8.8 trillion in April 2017, an increase of 41.3 billion or 0.5 percent on the previous month. This is an increase of MNT 1211.3 billion or 15.9 percent on the same period last year. Savings in local currency increased by MNT 88.4 billion or 1.4 percent whereas foreign currency deposits decreased by 2 percent or MNT 47.1 billion.

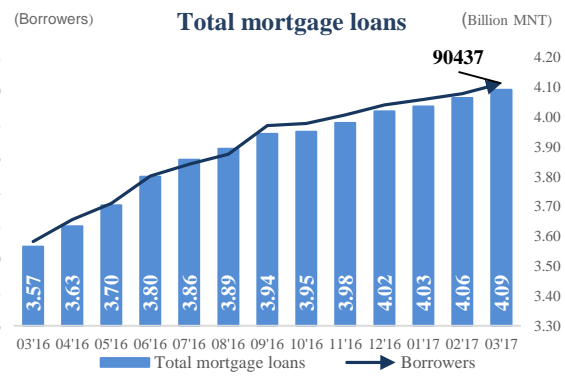


Total loans outstanding for businesses and individuals were MNT 12.7 trillion as of April 2017, which is an increase of 0.2 percent on the previous month and an increase of 9.3 percent compared to the previous year. Non-performing loans amounted to MNT 1087 billion, a 5 percent increase on the previous month and a 1.3 percent increase on the same period of last year. The share of non-performing loans made up 8.5 percent of total loans.



Mortgage

As of March 2017, the total value of outstanding mortgage loans rose by 0.7 percent (MNT 28.4 billion) on the previous month and increased by 14.7 percent (MNT 525.8 billion) from on the same period of the previous year, reaching MNT 4 trillion. In March, MNT 28.4 billion mortgage loans were granted to 614 applicants and the total number of borrowers reached 90437. The ratio of mortgage loans between MNT and foreign currency is presently 99.3/0.7 percent in favor of domestic currency.



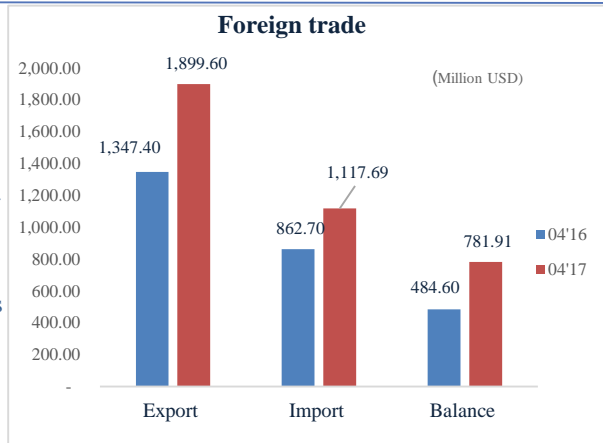
* Source Bank of Mongolia

Foreign Trade

Foreign Trade

In the first four months of 2017, total trade turnover reached USD 3017 million, of which exports totalled USD 1299 1899 million and imports amounted to USD 1117 million, resulting in a foreign trade surplus of USD 782 million. Compared to the previous year, total turnover increased by 36.5 percent, exports increased by 40.1 percent and imports increased by 29.5 percent.

The export rise of USD552.3 million was due to an increase of USD623.0 million in mineral products export, particularly an increase of USD614.1 million in coal export; however, export of precious stones, metal and

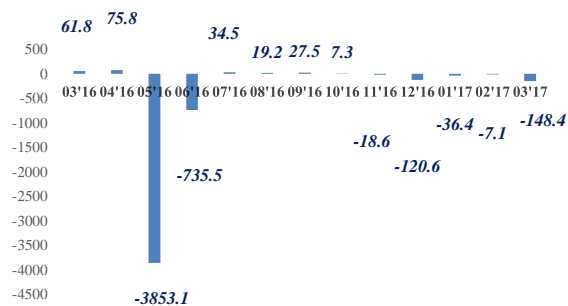


* Source NSO, BoM

Foreign direct investment

Net Foreign Direct Investment inflows in February 2017 amounted to USD -148.4 million. This is a decrease of USD 86.6 million compared to the same period of the previous year. Investments outflow equated to USD 0.9 million, while investment inflows amounted to USD 29.3 million.

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

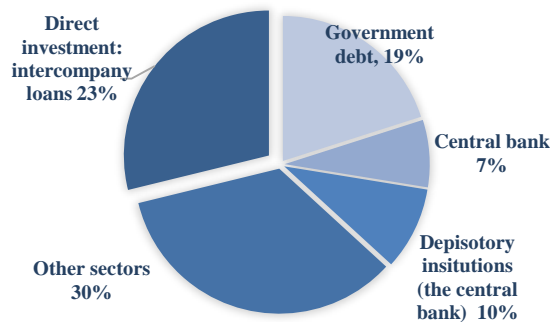
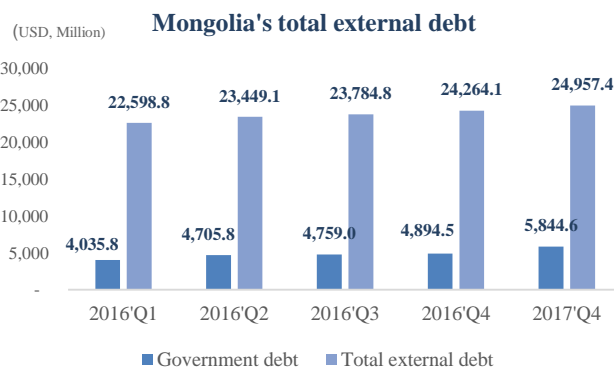


* Source NSO, BOM

Mongolia's foreign debts

External debt

In the first quarter of 2017, Mongolia's total public foreign debt stood at USD 5 billion. Mongolia's total external debt outstanding is USD 24.9 billion. Government debt decreased by 19 percent compared to the previous quarter (USD 950 million) and total external debt decreased by 3 percent on the previous quarter (693 million). Of the total debt, 23 percent is attributable to the government, 7 percent to the central bank, 10 percent to depository institutions, 30 percent to other sectors, and 30 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

- 4.13 On May 13th, Economic Policy and Competitiveness Research Center (EPCRC) presented the results of a survey on the competitiveness of districts in Ulaanbaatar, conducted with assistance from Ulaanbaatar City Council and the Asia Foundation at Tuushin hotel. The report is the first comprehensive research on the development and competitiveness of Ulaanbaatar districts.
- 4.14 The average price for a two-bedroom apartment was slightly under 73 million MNT. Nearly 2,300 old properties have been sold in 2017. Older two-bedroom apartments are most expensive in Sukhbaatar District, costing 92.4 million MNT on average, and are the least expensive in Songinokhairkhan District, averaging 53.7 million MNT according to an independent housing price study conducted by Tenkhleg Zuuch Real Estate Agency.
- 4.21 In the first four months of 2017, Mongolia traded with 127 countries from all over the world and total trade turnover reached USD 3,017.3 million, of which USD 1,899.6 million were made up by exports and USD 1,117.7 million by imports. Total foreign trade turnover increased by USD 807.2 million, to be specific, exports increased by USD 552.3 million and imports by USD 254.9 million compared to the same period of the previous year.