

MONGOLIA: MONTHLY MACROECONOMIC
OVERVIEW

August 2017

<p>GDP growth of 5.6 percent Q2 2017 (YoY)</p>	<p>FDI reached USD -123.8 million (in August 2017)</p>	<p>Budget deficit MNT -577 billion</p>	<p>Inflation 5 percent</p>	<p>Non-performing loans MNT 1171 billion</p>	<p>USD 1.59 billion in BoM foreign currency reserves in August</p>
<p>The net tax on products and service sector increased by 24 percent and 9 percent respectively.</p>	<p>Net FDI decreased by USD 135.5 million compared to the same period last year</p>	<p>MNT 4467 billion in revenue, MNT 5044 billion in expenditure and a balance deficit of MNT 577 billion.</p>	<p>Increased by 0.8 percent from the previous month, increased by 5 percent compared to the same period of the previous year.</p>	<p>Non-performing loans increased by 1.8 percent compared to the previous month, increased by 11.4 percent compared to the same period of the previous year reaching a total of MNT 1171 billion.</p>	<p>Increased by USD 236 million or 17.3 percent compared to the previous month. .</p>



Average USD/MNT nominal exchange rate
2409.41₮



Housing price index
1.009
decreased by 0.6 percent to the previous month and decreased by 0.6 percent YoY



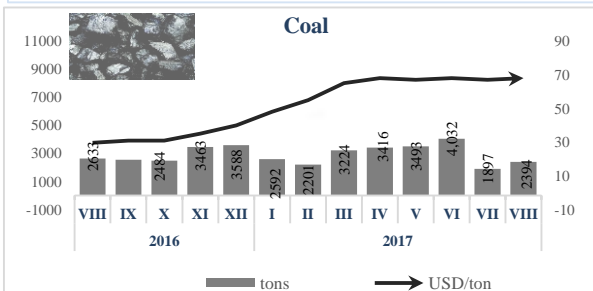
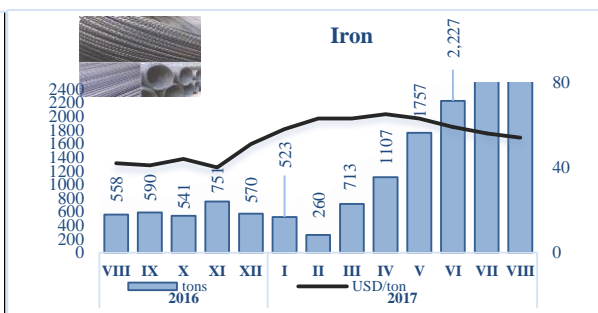
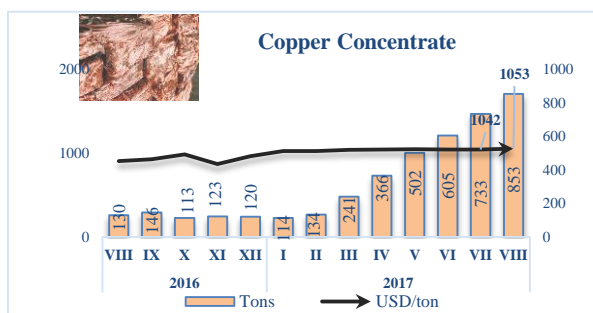
BoM policy rate
12 percent



In the first half of 2017, 2.8 million passengers crossed the border of Mongolia, which is an increase by 368.5 thousand passengers or 15.2% when compared to the same period of the previous year. Within the first half year, 216.9 thousand foreigners travelled to Mongolia, showing an increase by 36.3 thousand passengers. This is an increase of 20.1 percent when compared to the same period of previous year. The number of tourists from South Korea has increased by 43.7 percent, Australia by 32.6 percent, Russia by 27.7 percent, and China by 19.7 percent, whereas the number of tourists from Turkey has decreased by 21.8 percent, Italy by 5.1 percent, and India by 3.5 percent. *National Statistical Office*

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		August, 2017	
	Amount (tons)	Revenue (USD)	Amount (tons)	Revenue (USD)	Amount (tons)	Revenue (USD)
Coal	14.4	0.6	25.7	9.7	23.2	1.5
Iron ore	6.3	0.2	6.1	2.4	3.8	2.0
Copper	1.4	2.3	1.5	1.6	9.0	10.3
Total	22	3	33	14	36	14

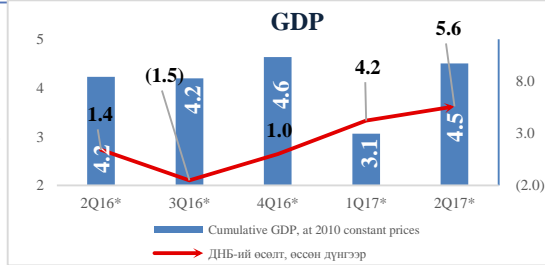
Source: National Statistics Office

Macroeconomic Indicators

August 2017

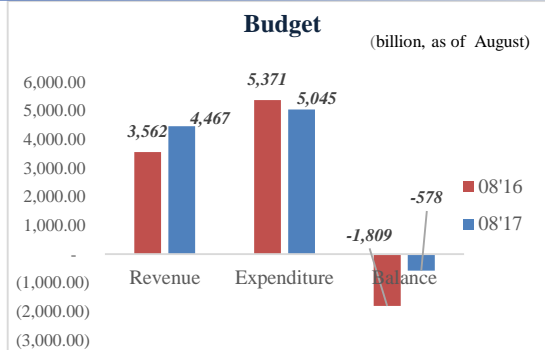
GDP

GDP growth (2010 constant prices) has further accelerated over the second quarter of 2017. It reached 5.6 percent (MNT 300 billion increase) compared to the same period in 2016. During the second quarter of 2017, the total GDP amounted to MNT 4.5 billion. For the same period, the net taxes on products and service sector increased by 24 percent and 9 percent respectively. This result is consistent with that of the first quarter and indicates the recovery of a vigorous economic growth for Mongolia since the start of the year.



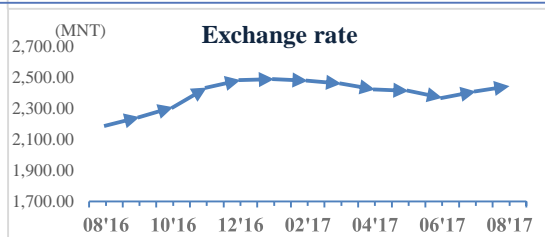
Budget

Government revenue increased by 25.4 percent and expenditure decreased by 6.1 percent from the same period of the previous year representing a budget deficit of MNT 577 billion. Total tax revenue was MNT 3.9 trillion of 52.4 percent are income tax 45 percent are value added tax, 67 percent are income from foreign operation and 67 percent of the revenue of the social insurance.



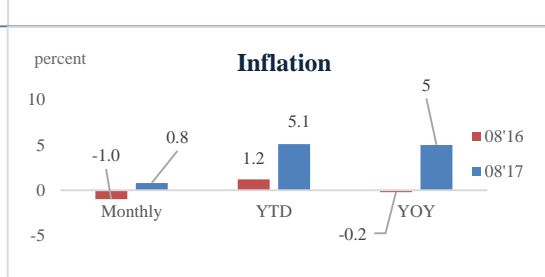
Exchange rate

In August, The average nominal exchange rate against the US dollar was MNT 2443.53. This is an 11.6 percent increase from the same period of the previous year, 1.3 percent or MNT 30 increase from the previous quarter.



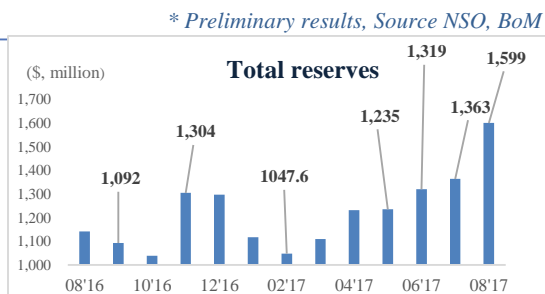
Inflation

In August, the consumer price index is increased by 0.8 percent comparing to the last month, and increased by 5 percent to the previous compared to the same period last year. As of the first eight months, consumer price is slightly increased due to purchases of vehicle, food and beverages and cost of education services.



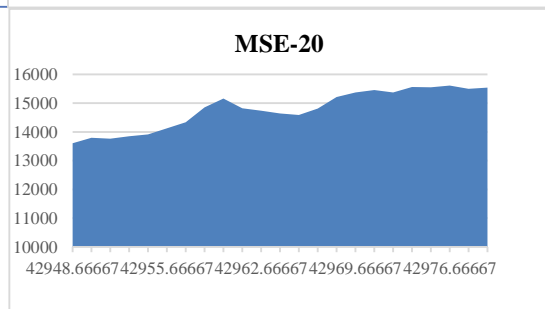
Foreign exchange reserves

The foreign exchange reserves were USD 1599 million. This is 17.3 percent or USD 236 million increase compared to the same period of the previous year. Compared to last month, there was a USD 236 million (17.3 percent) increase in national foreign currency reserves. The current level (USD 1.59 billion) is the highest since April 2016.



MSE-20 index

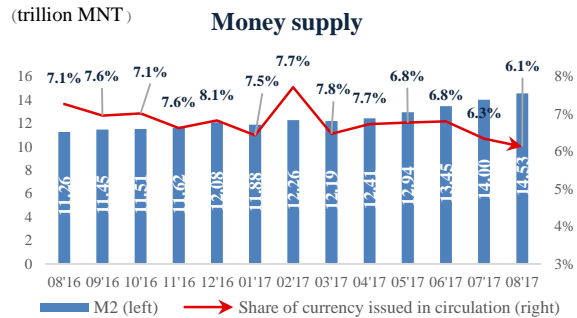
As of August 2017, 58.3 million securities were traded valued at 1 trillion in the stock market. The volume of securities trade increased by 879.8 million or 6.5 percent compared to the same period of the previous year. The Top-20 index in this month was 14 790 points, an increase of 1180 points from the previous month and an increase of 2332 points from same period of the previous year.



* Mongolia Stock Exchange

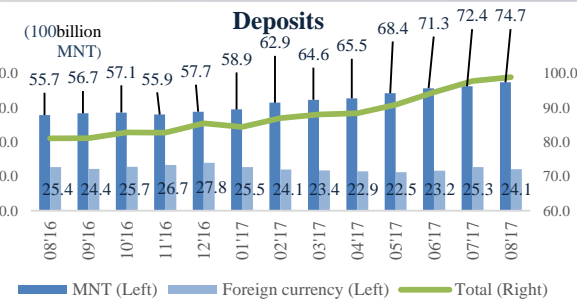
Money

The money supply (M2) increased by 28 percent in August and reached MNT 14.5 trillion. Compared to the same period of the previous year its increased 28 percent. The share of currency in circulation decreased constantly, since February 7.7 percent down to 6.1 percent.



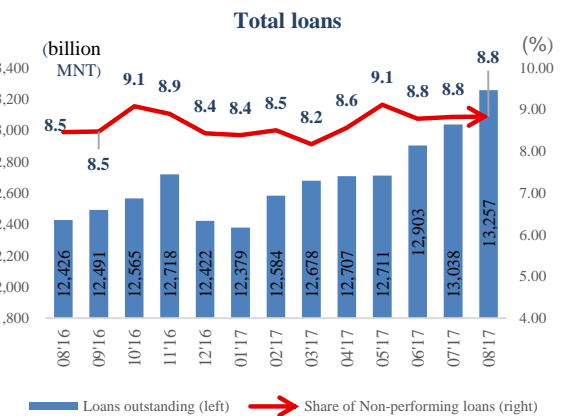
Deposits

Total deposits were MNT 9.8 trillion in August 2017, an increase of 113 billion or 1.2 percent on the previous month. This is an increase of MNT 1780 billion or 22 percent on the same period last year. The proportion of foreign deposit slightly decreased by 4.9 percent from the previous month.



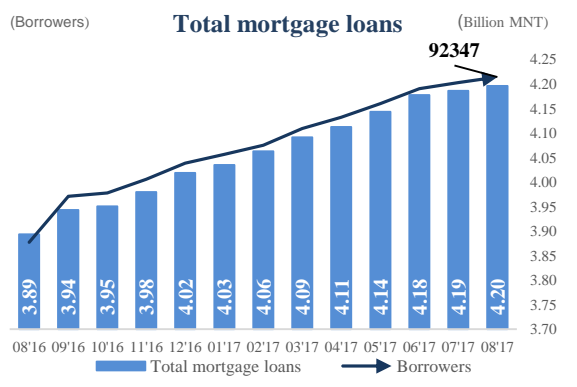
Loan

Total loans outstanding have kept growing in August and reached more than MNT 13 trillion, following this year's trend. As for non-performing loans, they were no changes, which is still decrease by 2 percent compared to the same period of last year.



Mortgage

As of August 2017, the total mortgage loans rose by 0.2 percent on the previous month and increased by 10.1 percent from on the same period of the previous year, reaching MNT 4.2 trillion. In July, MNT 10.1 billion in mortgage loans were granted to 209 applicants which is bit decrease from the previous month.

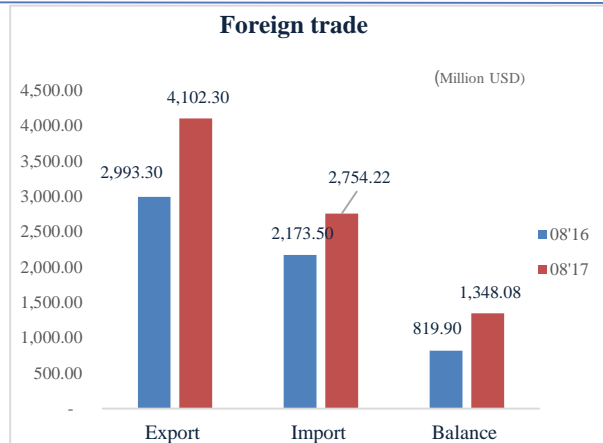


* Source Bank of Mongolia

Foreign Trade

Foreign Trade

Total turnover of foreign trade reached USD 6856 million, showing increases of 32 percent compared to same period of the previous year. But increases in exports (37percent) and imports (26 percent) are lower than previous month.

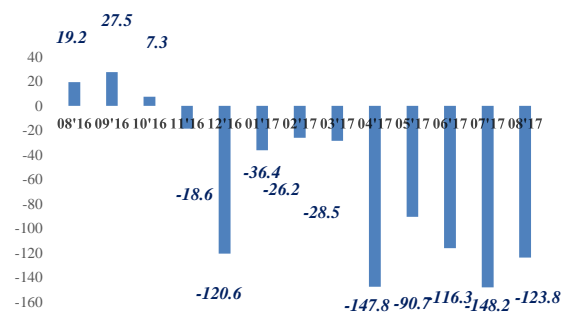


* Source NSO, BoM

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

Foreign direct investment

Foreign direct investments in Mongolia amounted to USD 123.8 million in August, increase from (USD 24.4 million) compared to the last month. Investments outflow equated to USD -0.2 million, while investment inflows amounted to USD 148.4 million.

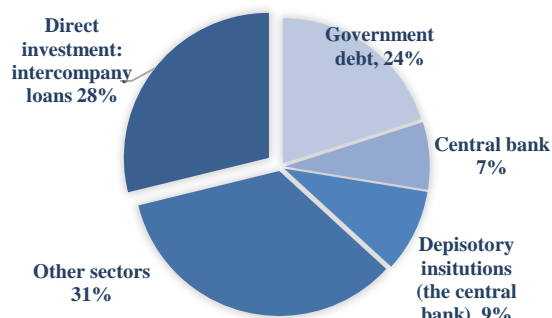
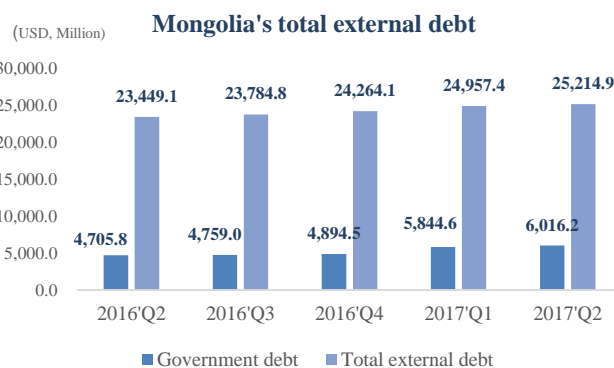


* Source NSO, BOM

Mongolia's foreign debts

External debt

In the second quarter of 2017, Mongolia's total public foreign debt stood at USD 6 billion. Mongolia's total external debt outstanding is USD 25 billion. Government debt increased by 3 percent compared to the previous quarter (USD 171 million) and total external debt increased by 1 percent on the previous quarter (257 million). Of the total debt, 24 percent is attributable to the government, 7 percent to the central bank, 9 percent to depository institutions, 31 percent to other sectors, and 28 percent to inter-company loans.



*Source Bank of Mongolia

August 2017

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

08.05

The IMF Working Group worked to conduct discussions on the first review of the three-year Extended Fund Facility (EFF) arrangement. "The economy is rebounding, with GDP growth likely to reach 2 percent this year on the back of strong coal production and exports, high private investment, and a return of confidence following the approval of the \$5.5 billion IMF-led package. Performance under the program has been good, with all quantitative targets on track. Fiscal results have been better than expected, supported by strong revenues and tight expenditure control. About half of the revenue overperformance will be saved, thus helping to reduce borrowing and control debt, while the remainder will be used to fund productive spending in line with the government action plan. Net international reserves have improved, reflecting strong export performance and capital inflows into the government securities market. The authorities have moved ahead with their ambitious structural reform agenda, which will help to sustain growth over the medium term. The strengthening of the banking system is underway: the Asset Quality Review will soon be launched, important legal reforms are being drafted, and improvements to the regulatory and supervisory framework are being implemented. On the fiscal side, steady progress is being made in strengthening tax administration, tax policy, and budgetary controls, including through the establishment of a Fiscal Council. To strengthen the social safety net and target expenditures toward the most vulnerable, the government is fine-tuning the Child Money Program, with a commitment to target the program to less affluent families from 2018 and use the savings to increase food stamps for the poor. The authorities and the team have reached staff-level agreement on the completion of the first review under the EFF arrangement, which is subject to review by the management and Executive Board of the IMF. The Board is expected to consider the first review in late September, and this could lead to a disbursement of SDR 27.9560 million, or about \$37.82 million.