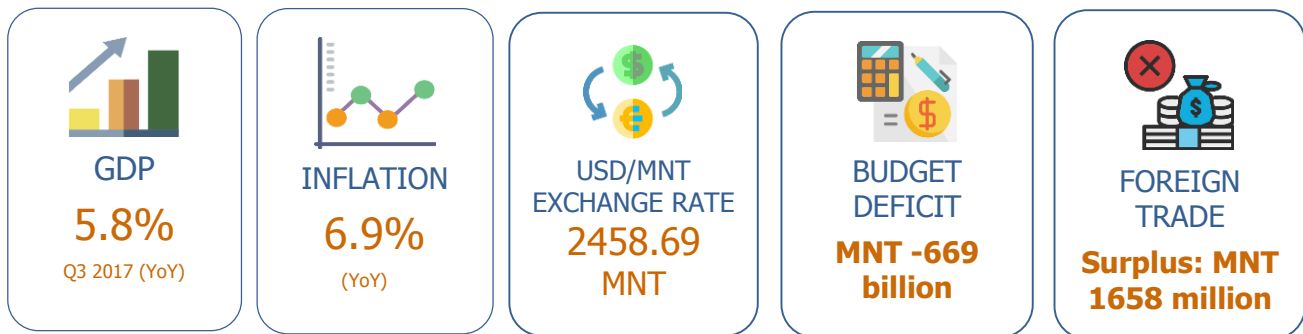


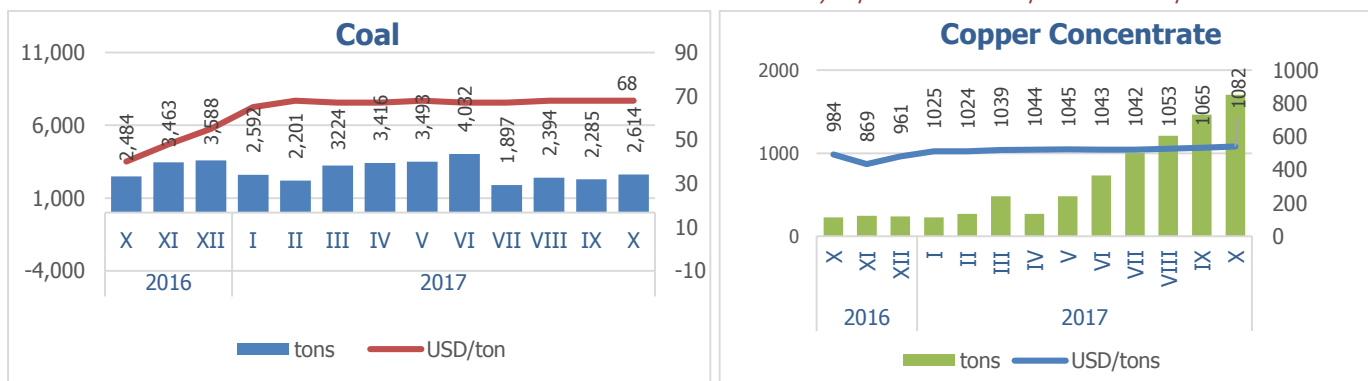
MAIN INDICATORS

Compared with September 2017



MAJOR EXPORT COMMODITY PRICES AND VOLUMES

Monthly export volumes and prices over the past 12 months.



Source: National statistical office of Mongolia

OTHER MONTHLY INDICATORS

Compared with September 2017



ECONOMIC FORECASTS FOR MONGOLIA

GDP growth: in 2017: +4.0%, in 2018: +3.0%  
 Inflation: in 2017: +3.0%, in 2018: +3.4%  
 Current account balance: in 2017: -6.4% of GDP, in 2018: -8.5% of GDP according to a new Asian Development Bank (ADB) report.

Source: <http://bit.ly/2zwQ36D>

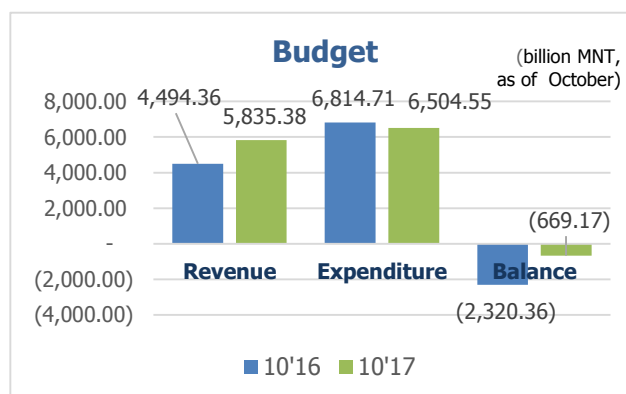
GDP growth: in 2017: +2%, in 2018: +2.5%  
 Inflation: : in 2017: +4.4%, in 2018: +6%,  
 Current account balance: in 2017: -4.9% of GDP, in 2018: -8.7% of GDP- by IMF (World Economic Outlook, October 2017)

Source: <http://bit.ly/2zsmvYo>

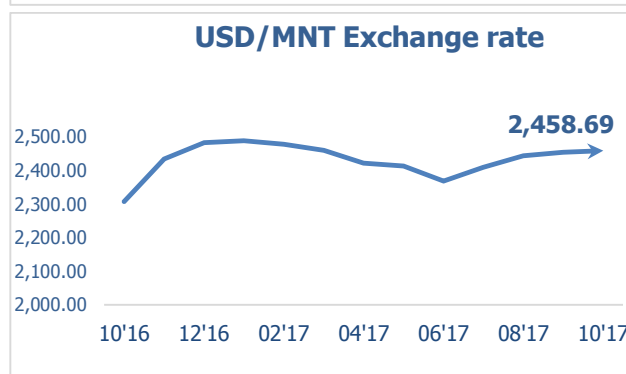
## ANALYSIS: STATE BUDGET, EXCHANGE RATE, INFLATION, FOREIGN TRADE

**The budget deficit decreased by 71.2%**

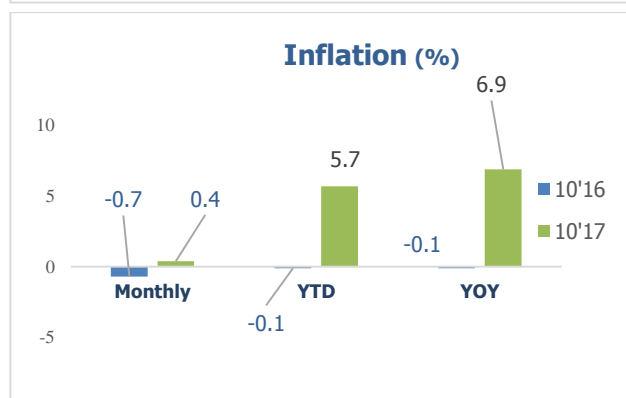
Government revenues increased by 29.8% and expenditures decreased by 4.6% relative to the same period in 2016, resulting in a budget deficit of MNT 669 billion. The Budget deficit has decreased by 71.2 percent relative to the same period in 2016. Government budget composition: 79.2% tax revenue, 11.8% non-tax revenues, 4.8% income of sovereign wealthfund and 4.2% stabilization fund.

**The USD exchange rate remains flat**

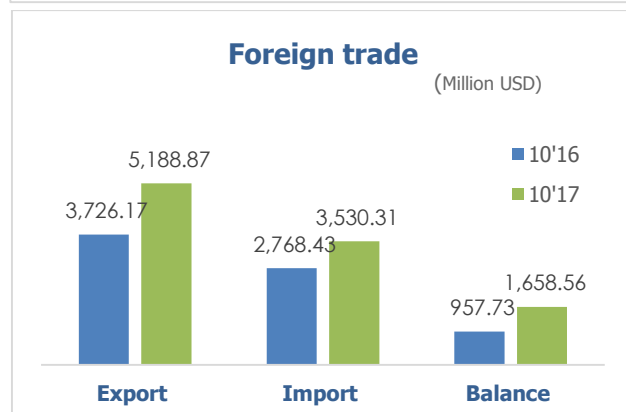
In October, the average nominal exchange rate against the US dollar was MNT 2,458.69. This is a 6.5% or by 150 MNT increase from the same period in 2016, and a 0.18% or by 4.40 MNT increase from September 2017.

**Inflation Rate increased by 0.2%**

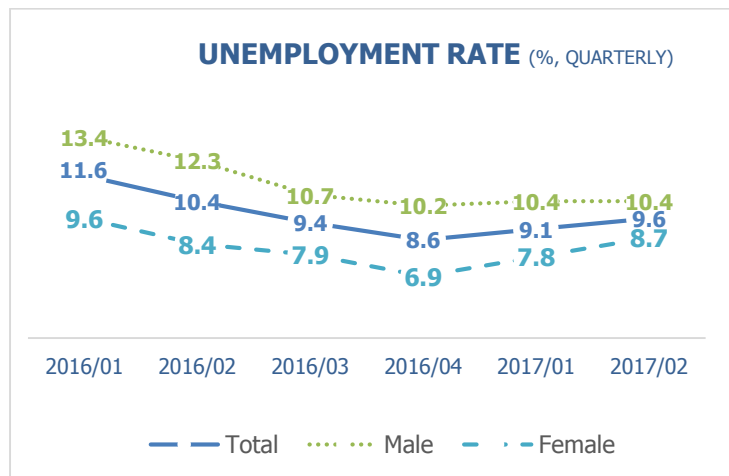
In October, the national consumer price index increased by 0.4% compared to September 2017, and increased by 5.7% in the year to date. Annual inflation is 6.9% (relative to October 2016). The consumer price index has increased due to prices of transport, food and beverages, education and apartment, service fees of water and electricity.

**Trade Balance surplus reached 1658 Million USD**

Total turnover of foreign trade reached USD 8.7 billion, a 34% increase compared to the same period in 2016. Exports increased by 1.7% from September, while imports decreased by 0.3%. The trade surplus reached USD 1658 million. In the first ten months, coal prices increased by 239 percent from the same period in 2016, increasing the value of Mongolia's exports.



## SPECIAL FOCUS: LABOR MARKET



*Source: National Statistic Office of Mongolia*

Despite the Mongolian economy showing signs of recovery, unemployment has been increasing in recent years, reaching 9.6% in Q2 2017 (down from 10.4% in Q2 2016). Overall, increasing unemployment rates in the face of improving economic conditions likely reflects increases in the participation rate (the number of economically active people looking for work), which has increased considerably (+8.4% over the past quarter). The increase in unemployment also reflects a larger increase in female unemployment rates than for males, up from 6.9% in Q4 2016 to 8.7% in Q2 2017, as can be seen in the figure above.

The increase in workforce participation has been much stronger for male (+12.4%) than for female (+4.2%) citizens. The fact that male unemployment has remained relatively stable, despite large increases in male workforce participation rates suggests that the labour market more readily absorbs male workers.

Geographical disparities are also present in the labour market. Umnugovi province, for example, has an unemployment rate of 25.6%, up from 14.5% last quarter, whilst Dornod went from 9.8% down to 2.3%. These major discrepancies show that provincial economic conditions also vary considerably.

## HIGHLIGHTS OF THE MONTH: NEW GOVERNMENT, IMF LOAN

- Following a month of transition and political dealings within the Mongolian People's Party (MPP), Khurelsukh Ukhnaa was elected as Prime Minister by the Mongolian parliament on October 4<sup>th</sup>. In his first speech, PM Ukhnaa emphasized the need to fight corruption, improve peoples' living standards and maintain discipline in the State's budget. It is hoped this improved political certainty flows through to improved economic conditions and policy making in Mongolia.
- Mongolia has also requested the IMF resume financial support after having frozen its USD 5.5 billion bail-out program last month due to political uncertainty. Analysts believe Mongolia needs the support from the IMF to pay back its debt, as USD 500 million worth of bonds come to maturity in January 2018. Resumption of the IMF program will likely improve investor sentiment, and hopefully lift confidence levels in the Mongolian economy, and support Mongolia's fragile recovery.

## Sources:

1. *Monthly bulletin of statistics, October 2017, National Statistics office of Mongolia*
2. *Monthly bulletin of statistics, October 2017, Mongolbank*
3. [www.1212.mn](http://www.1212.mn)