


**MONGOLIA: MONTHLY MACROECONOMIC  
OVERVIEW**


July 2016

**Indicators:**


<b>GDP growth of 1.4 percent</b> Q2 2016 (YoY)	<b>FDI reached USD -735.5 million</b> (in June 2016)	<b>Budget deficit MNT -1.9 trillion</b>	<b>Inflation 0.9 percent</b>	<b>Non-performing loans increased by MNT 1.03 trillion</b>	<b>USD 1.2 billion</b> in BoM foreign currency reserves in June
The mining sector grew by 9.1 percent the construction sector by 4.4 percent, and the agricultural sector by 3.5 percent.	Net FDI decreased by USD 801.1 million on the same period last year, and a decrease by USD 910 million compared to the previous month.	MNT 3040 billion in revenue, MNT 2014 billion in expenditure and a balance deficit of MNT -1974.1 billion.	A decrease of 0.6 percent on the previous month, increased by 0.9 percent compared to the same period of the previous year.	Non-performing loans decreased by MNT 6 billion or 0.5 percent compared to the previous month reaching a total of MNT 1031 billion.	Decreased by USD 389 million or 23.1 percent on the same period of the previous year. The amount of foreign currency reserves reached USD 1297 million.



Average USD/MNT nominal exchange rate **2032₮**



Housing price index **1.015**  
decreased by 0.8 percent compared to the previous month and decreased by 9.6 percent YoY

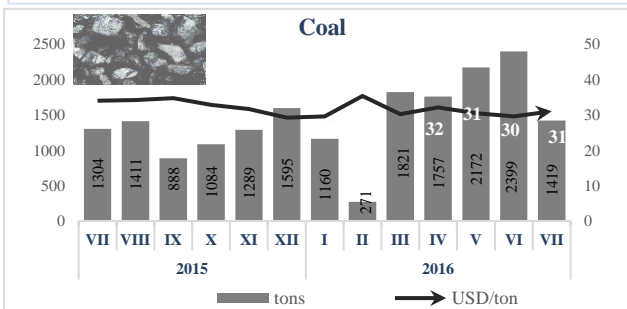
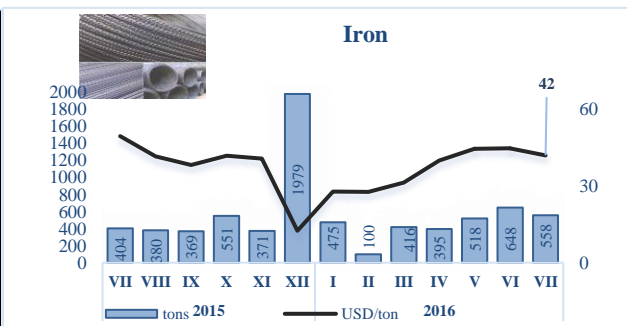
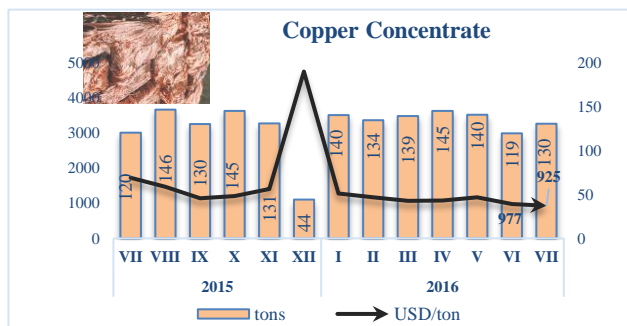


BoM policy rate **15 percent**

The opening ceremony for the traditional Naadam festival dedicated to the 2225th anniversary of Mongolian statehood, the 810th anniversary of the Great Mongol Empire, 105 years of National liberation and the 95th anniversary of the People's Revolution was impressive and magnificent, according to both Mongolian and foreign spectators.

**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	2014		2015		July, 2016	
	Amount (tons)	Revenue (USD)	Amount (tons)	Revenue (USD)	Amount (tons)	Revenue (USD)
Coal	19.5	0.8	14.4	0.6	11.0	0.3
Iron ore	6.3	0.4	6.3	0.2	3.1	0.1
Copper	1.4	2.5	1.4	2.3	0.9	1.0
<b>Total</b>	<b>27</b>	<b>4</b>	<b>22</b>	<b>3</b>	<b>15</b>	<b>1</b>

Source: National Statistics Office

Mongolia has acquired 100 percent ownership of Erdenet Mining Corporation (EMC), a Mongolia-Russia joint venture. Previously, the Government of Mongolia owned 51 percent of EMC, and Russia's Rostech Corporation owned 49 percent. Result of negotiations The Mongolian Government will continue owning 51 percent, and the remaining 49 percent will be owned by Mongolian Copper Company, on behalf of the Trade and Development Bank of Mongolia.

**Macroeconomic Indicators**

**June 2016**

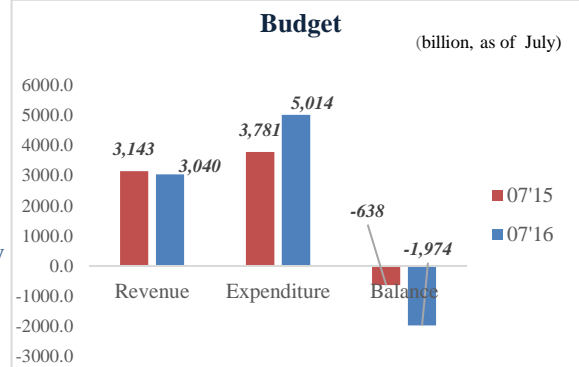
**GDP**

Cumulative GDP at constant prices in the second quarter of 2016 reached MNT 7.1 trillion, an increase of MNT 121.9 billion or 1.4 percent compared to the same period of the previous year. For the same period, the industrial and construction sector grew by 4.4 percent, the mining sector by 9.1 percent, and agricultural sector by 3.5 percent.



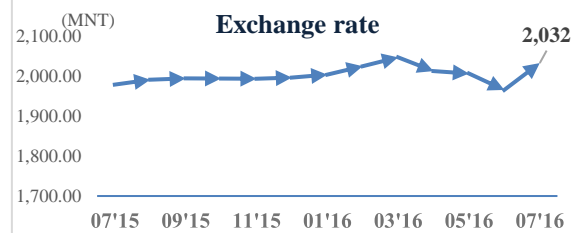
**Budget**

Cumulative state budget revenue (including aid) totalled MNT 3040 billion in July, while expenditure and net lending amounted to MNT 5014 billion. This resulted in a general government deficit of MNT (1974) billion. Total expenditure and net lending of the General Government Budget reached MNT 1336.2 billion. Revenue decreased by 3.7 percent and expenditure increased by 32.6 percent compared to the same period last year.



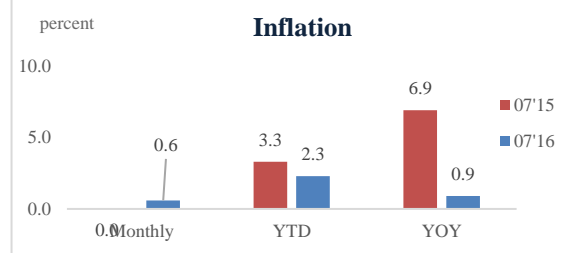
**Exchange rate**

In July, the MNT further depreciated against the USD. The average nominal exchange rate against the US dollar was MNT 2,032. This is a 3.2 percent or MNT 61.6 increase from the same period of the previous year; a 3.4 percent or MNT 67 increase from the previous month.



**Inflation**

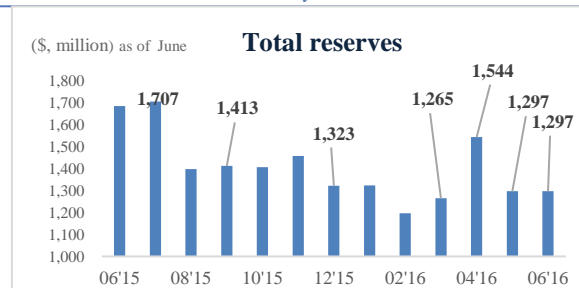
In July 2016, the Consumer Price Index increased by 0.6 percent on the previous month, and rose by 0.9 percent compared to the same period last year. An increase of 2.3 percent was mainly due to food and non-alcoholic beverages.



\* Preliminary results, Source NSO, BoM

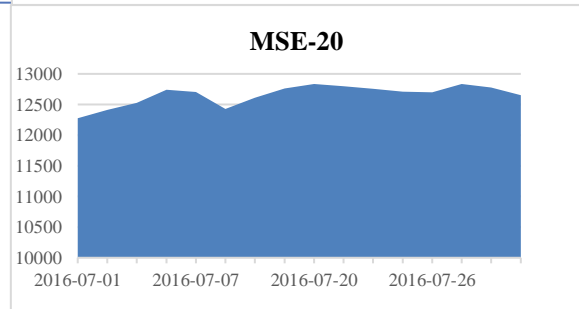
**Foreign exchange reserves**

As of June, 2016, foreign exchange reserves were USD 1297 million. This is a 10 percent, or USD 145 million decrease on the previous month and a decrease 23.1 percent or USD 389 million compared to the same period of the previous year.



**MSE-20 index**

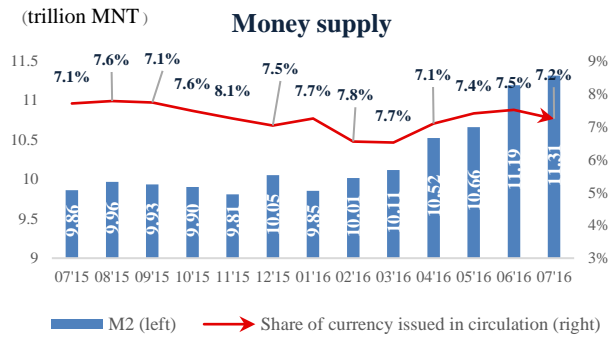
In July 2016, 1.6 million shares valued at MNT 3.2 billion were traded in the stock market. The securities traded decreased by MNT 2.3 billion or 41.6 percent compared to the last month. The Top-20 index in July was 12689 points, an increase of 1237 points from the previous month and a decrease of 1529 points from same period of the previous year, respectively.



\* Mongolia Stock Exchange

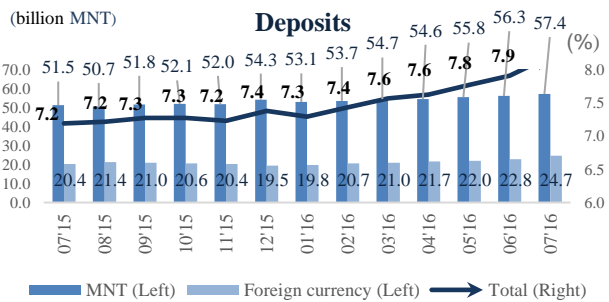
**Money**

M2 Money supply at the end of July 2016 totalled MNT 11.3 trillion, an increase of 122.6 billion or 1.1 percent on the previous month and an increase of 1448.8 billion or 14.6 percent on the same period last year. In July, cash flows reached 818 billion. This is a decrease of MNT 21 billion or 2.5 percent over the previous month and an increase of MNT 59.1 billion or 14.6 percent on the same period last year.



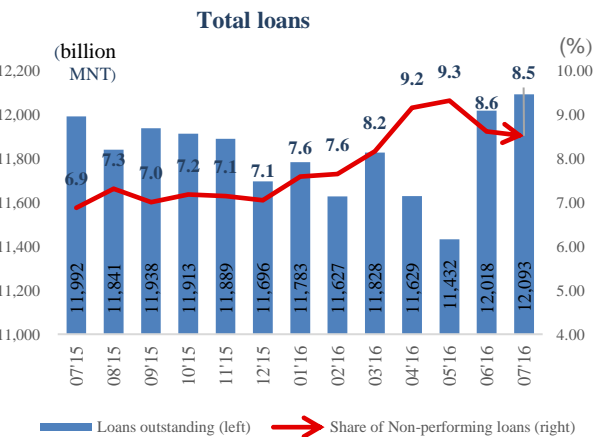
**Deposits**

Total deposits were MNT 8.2 trillion in July 2016, an increase of 295.3 billion or 3.7 percent on the previous month. This is an increase of MNT 1014.6 billion or 14.1 percent on the same period last year. Savings in local currency increased by MNT 582 billion or 11.3 percent whereas foreign currency deposits increased by 21.2 percent or MNT 432 billion.



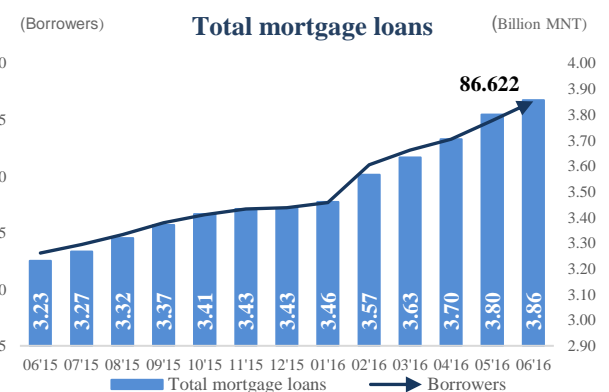
**Loans**

Total loans outstanding for businesses and individuals were MNT 12 trillion as of July 2016, which is an increase of MNT 75 billion or 0.6 percent on the previous month and an increase of 101 billion, or 0.8 percent compared to the previous year. Non-performing loans amounted to MNT 1030 billion, a 0.5 percent (6 billion) decrease on the previous month. This is an increase of 24.9 percent (MNT 205 billion) on the same period of last year. The share of non-performing loans made up 8.5 percent of total loans.



**Mortgage**

As of July 2016, the total value of outstanding mortgage loans rose by 1.5 percent (MNT 95.2 billion) on the previous month and increased by 19 percent (MNT 625.8 billion) from on the same period of the previous year, reaching MNT 3.8 trillion. In July, MNT 56.9 billion in mortgage loans were granted to 1716 applicants and the total number of borrowers reached 86,622. The ratio of mortgage loans between MNT and foreign currency is presently 99.1/0.9 percent in favor of domestic currency.

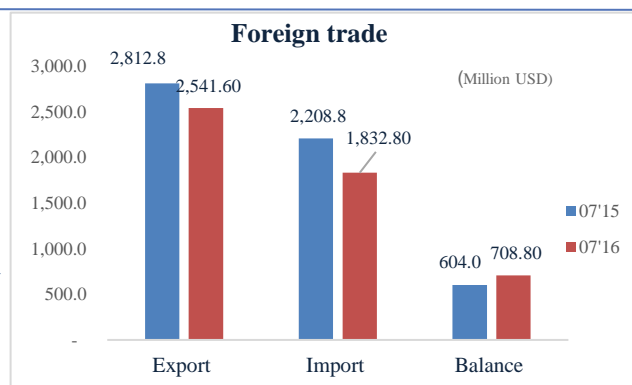


\* Source Bank of Mongolia

### Foreign Trade

**Foreign Trade**

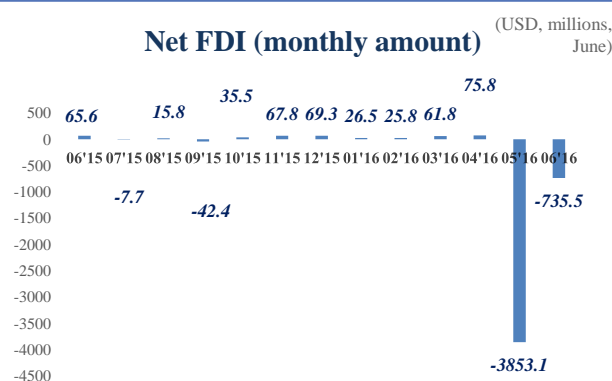
In July 2016, total trade turnover reached USD 4.3 billion, of which exports totalled USD 2.5 billion and imports amounted to USD 1.8 billion, resulting in a foreign trade surplus of USD 708 million. Compared to the previous year, total turnover decreased by USD 647 million or 12.8 percent, exports and imports decreased by USD 271 million or 9 percent and USD 376 million or 17 percent, respectively.



\* Source NSO, BOM

**Foreign direct investment**

Net Foreign Direct Investment inflows in June 2016 amounted to USD -735.5 million. This is a decrease by USD -801.1 million compared to the same period of the previous year, and an increase of USD 2846 million from the previous month. Investments outflow equated to USD -0.3 million, while investment inflows amounted to USD -735.2million.

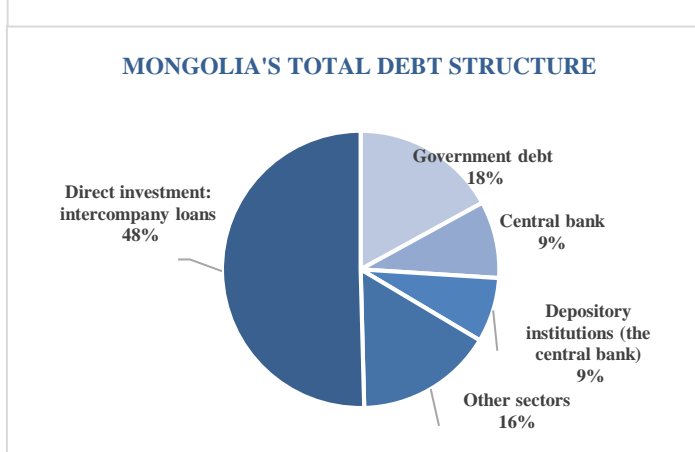
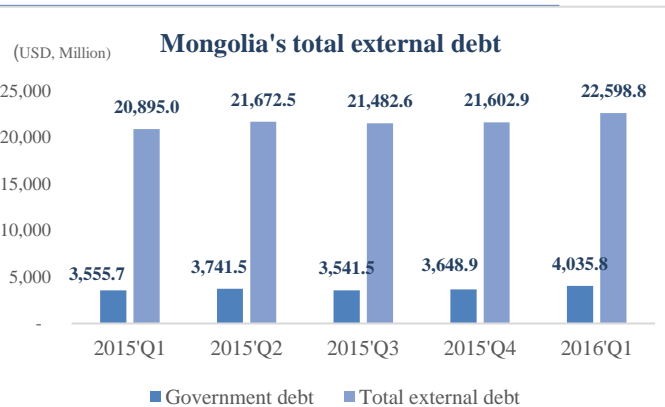


\* Source NSO, BOM

### Mongolia's foreign debts

**External debt**

In the first quarter of 2016, Mongolia's total public foreign debt stood at USD 4 billion. Mongolia's total external debt outstanding is USD 22.5 billion. Government debt decreased by 11 percent compared to the previous quarter (USD 387 million) and total external debt decreased by 5 percent on the previous quarter (995 million). Of the total debt, 18 percent is attributable to the government, 9 percent to the central bank, 9 percent to depository institutions, 16 percent to other sectors, and 48 percent to inter-company loans. 97 percent of total debt from the Central Bank is short-term, while long-term liabilities account for 3 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	Stable	B	Negative
Date	2015.11.05		2013.12.13	

Standard & Poor's downgraded Mongolia's sovereign rating from +B grade to B grade in November 2015. 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 is a non-manufacturing sector. It causes financial instability in the economy, which was the main reason for being listed among risky countries.

### Moody's :

Moody's credit rating for Mongolia has not changed since July 2014, with a B2 classification and a negative outlook.

Date	Credit ratings	Perspective
December 4, 2005	B1	Stable
June 10, 2009	B1	Negative
October 30, 2009	B1	Stable
May 26, 2014	B1	Negative
July 17, 2014	B2	Negative

Moody's international credit rating for Mongolia reduced from B1 to B2 on July 17, 2014. The cited reasons were (i) a sharp deterioration in Mongolia's external liquidity position - a substantial increase in Mongolia's foreign debt in recent years, high inflation and a large increase in the amount of non-performing loans in the banking system, and (ii) an expansionary fiscal stance. At the same time, Moody's issuer and bond ratings of B1 was also downgraded to B2. The senior unsecured rating of the government-owned Development Bank of Mongolia was reduced to B2, with Moody's indicating that "since DBM's payment obligations carry a credit guarantee of the Government of Mongolia, its debt obligations justify a rating at the same level".

Moody's has indicated that Mongolia will remain on a negative outlook due to (i) inadequate foreign currency reserves, (ii) unsustainable credit growth and inflationary pressures and (iii) unsustainable off-budget fiscal expenditure.

## *Highlights of the month*

---

**07.08** During the session of the State Great Khural (parliament), J.Erdenebat became the 29th Prime Minister of Mongolia gaining votes from 68 out of 70 members of parliament at a plenary meeting of the parliamentary session.

**07.15-16** The 11th Asia-Europe Meeting (ASEM11) Summit was held, in Ulaanbaatar, Mongolia on Friday 15 and Saturday 16 July, 2016, under the theme "20 Years of ASEM: Partnership for the Future through Connectivity". Leaders of ASEM partner countries were hosted and chaired by HE Mr.Elbegdorj Tsakhia, President of Mongolia. ASEFM11 brought together Heads of State and Government from 53 ASEM partners — 30 European and 21 Asian countries, as well as the ASEAN Secretariat and the European Union. The Leaders expressed their "strong resolve to work together to energize ASEM, promote further connectivity and ensure a mutually beneficial partnership and cooperation between Asia and Europe".

**07.17-18** President of the Republic of Korea Park Geun-hye paid an official visit to Mongolia on July 17-18, at the invitation of Ts.Elbegdorj, the President Mongolia. The visit of the South Korean leader was important for consolidating Mongolia-Korea comprehensive partnership relations, maintaining a frequency of reciprocal top and high-level visits, fostering economic cooperation and boosting people-to-people exchanges. During the visit, the sides exchanged views on the bilateral cooperation in economy, trade, IT, energy, culture, education and health and development fields and regional and international issues of mutual concern.

## *Overview*

---

### **More than 4 million tons of coal exported to China through Gashuunsukhait**

China reported that a total of 4.3 million tons of coal was exported through the Gashuunsukhait port as of the first half of 2016. The figure was up by 23 percent in comparison to the same period in 2015. Industry analysts say that coal supply from Mongolia is increasing as coal exploration is in decline in China. Despite the coal supply increase, coal reserves at Gashuunsukhait Port's warehouse have decreased over the past two months. Chinese Customs reported that as of May 2016, Mongolia has supplied 46 percent of China's coking coal consumption. Even though export volume was high, income was lower than it was in 2015 due to the falling prices for coal. The National Statistical Office reported that Mongolia earned 222 million USD from exports as of the first five months of 2016, which was a figure down by 20 million USD compared to 2015.