

**MONGOLIA: MONTHLY MACROECONOMIC
OVERVIEW**

June 2015

Indicators:

GDP growth of 4.4% in Q1 2015 (Y-o-Y)	FDI reached at 28.4 million dollars (in May)	A budget balance MNT 534.9 billion	Annual Inflation 7.3%	Non-performing loans increased by MNT 35.3 billion	USD 1591 million in BoM foreign currency reserves in May
* 9.2% growth in agriculture, * 13.1% growth in industry and construction sector * 3.3% growth in services sector.	Net FDI increased by USD 18 million compared to the same period of previous year, and decreased by USD 8.9 million compared to previous month.	MNT 2.64 trillion in revenue and MNT 3.17 trillion in expenditure and a balance deficit of MNT 534.9 trillion.	Increase by 0.1 percent compared to previous month, and decreased by 7.3 percent year over year.	Non-performing loans increased by MNT 8.4 trillion or 1.1% compared to the previous month and reaching at total MNT 774 billion.	Increased by USD 323.7 million or 25.5 percent compared to the previous month.



The average USD/MNT
nominal exchange rate
MNT 1,903.3



Housing price index
1.14
decreased by 2.368% compared to
the previous month and by 8.34%
y.o.y respectively.



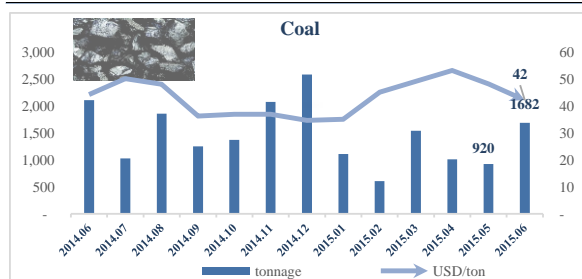
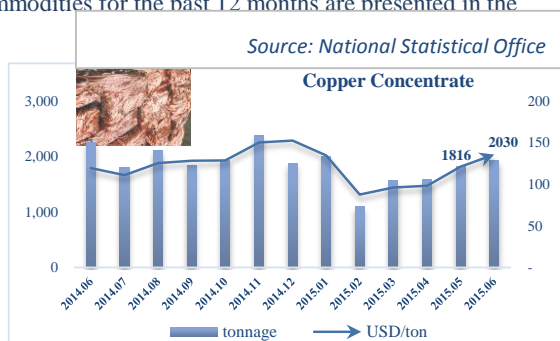
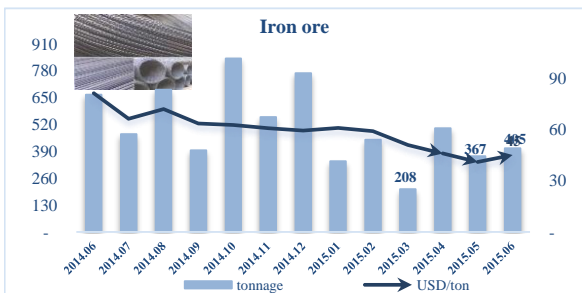
**Increased BoM
policy rate by 1%**
13%



On the occasion of the International Children's Day, President of Mongolia Tsakhiagiin Elbegdorj has issued a decree to award twenty one women representing the honored mothers who raised many children by the First and the Second class Honored Mother Orders.

Major export commodity prices and volumes

Monthly export volumes and prices for Mongolia's major commodities for the past 12 months are presented in the following tables.



Mongolia's exports of raw materials over the past 3 years
(In thousands of US dollars, tons)

Major products	2012		2013		2014	
	Tons	USD	Tons	USD	Tons	USD
Coal	20574	1,880,396	18,194	1,116,153	1,106	850,615
Iron ore	6415	532,509	6725	654,333	8,338	448,378
Copper	575	838,780	650	948,951	1,378	2,575,636
Total	27564	3,251,685	25,569	2,719,437	10,822	3,874,629

Source: National Statistical Office



The Business Summit 2015 was held on June 18-20, 2015, Ikh Tenger Complex, Ulaanbaatar, Mongolia.

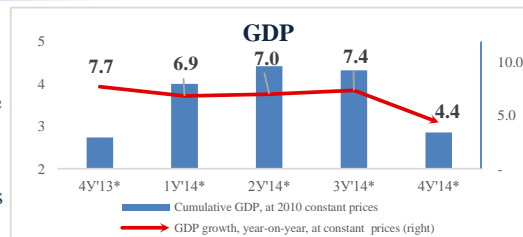
MONGOLIA:MONTHLY MACROECONOMIC OVERVIEW

Macroeconomic Indicators

May 2015

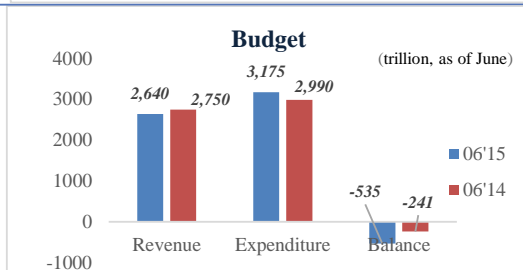
GDP

Cumulative GDP at constant prices in the first quarter of 2015 total MNT 2.9 trillion, a 119.6 billion or 4.4 percent increase compared to the same period of the previous year. This comprised of the agricultural sector up 9.2 percent, the industry and construction sector up 13.1 percent, and the services sector up 3.3 percent.



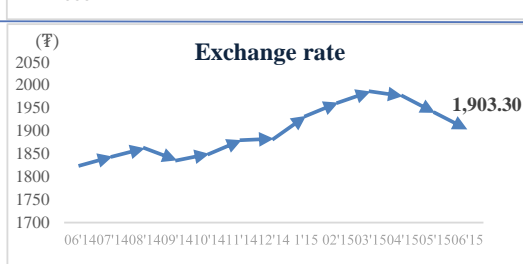
Budget

Cumulative state budget revenue (including aid) totalled MNT 2.64 trillion in June, while expenditure and net lending amounted to MNT 3.17 trillion. This resulted in general government deficit of 534.9 billion. Deficit increased by MNT 294.2 billion from the same period of the previous year. Budget revenues comprised of 88.6% taxes and 11.3% non-tax and 0.1% other revenue.



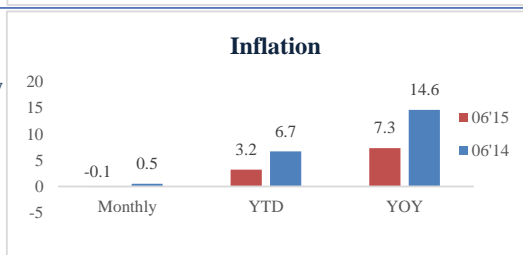
Exchange rate

In June, the Mongolian tugrik further appreciated in the forex market, the average nominal US dollar exchange rate was MNT 1903.3. While this is a 1.9 percent or MNT 36 increase from previous month and 4.3% fall from the same period of the previous year.



Inflation

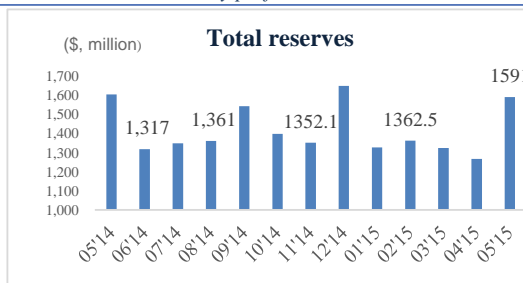
In June 2015, the Consumer Price Index increased by 0.1 percent from the previous month, and rose by 7.3 percent compared to the same period of the previous year. The index of the previous month and 0.1 percent decrease in food and non-alcoholic beverages 0.4 percent, housing, water, electricity and fuels fell by 0.3%.



* Preliminary performance, Source NSO, BoM

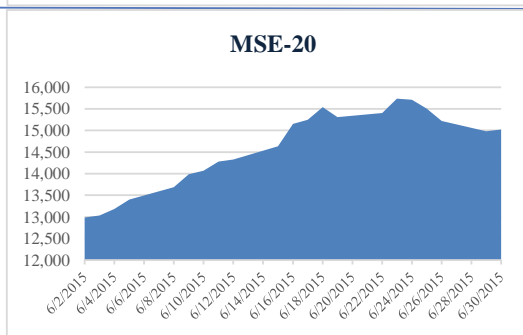
Foreign exchange reserves

As of May, 2015, foreign exchange reserves were USD 1591 million. This is a 25.5 percent, or US 323.7 million rose from the previous month and 3.6 percent or US 14 million fall from the same period of previous year, and fell 0.8%, or \$ 58.9 million compared to the period of beginning of the year.



MSE-20 index

Total value of securities traded in June were MNT 587.4 billion, with over 19.6 million transactions. This is a 453.3 billion, or 4.4 fold increase compared to the same period of the previous year. The Top-20 index in June 2015 was 14,591.2, a rose by 1786.0 points from the previous month. Stock exchanges are operating SHCs Total securities reached at 1.4 trillion and 154.6 billion or 12.3 percent over the previous month

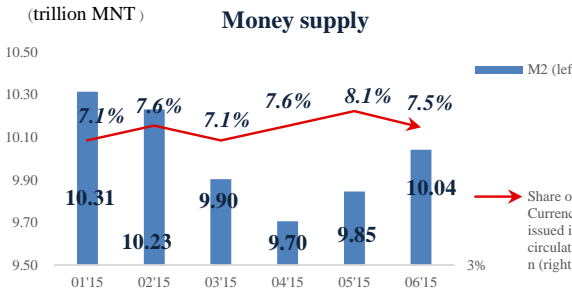
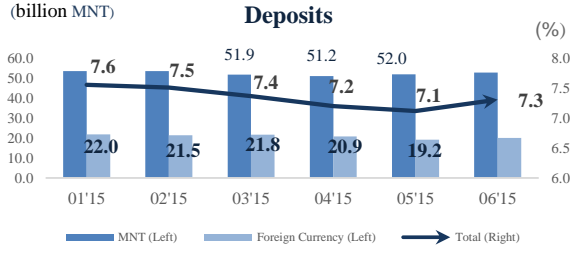
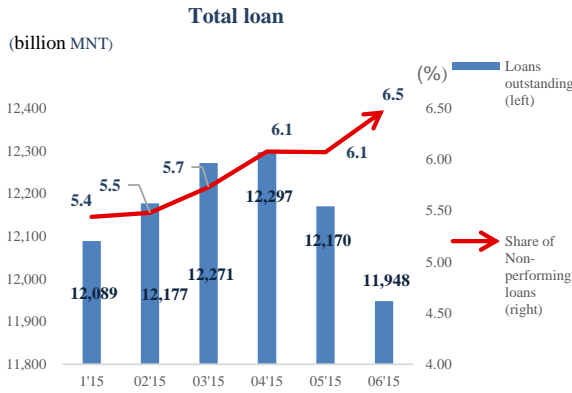
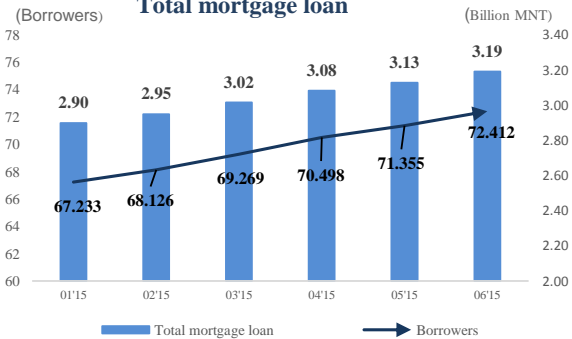


* Mongolian Stock Exchange

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The financial sector

June 2015

<p>Money</p>	<p>M2 Money supply at the end of June 2015 totalled MNT 10.0 trillion, a 201.8 billion or 2.1% rose from the previous month and decrease by 65.7 billion or 0.7 percent from the same period of the previous year, respectively. In June, cash flows reached at 755.8 billion, an decrease by 37.9 billion or 4.8% over the previous month and 104.2 billion or 12.1% from the same period</p>	<p>(trillion MNT) Money supply</p>  <table border="1"> <thead> <tr> <th>Month</th> <th>M2 (trillion MNT)</th> <th>Share of Currency issued in circulation (%)</th> </tr> </thead> <tbody> <tr><td>01'15</td><td>10.31</td><td>7.1%</td></tr> <tr><td>02'15</td><td>10.23</td><td>7.6%</td></tr> <tr><td>03'15</td><td>9.90</td><td>7.1%</td></tr> <tr><td>04'15</td><td>9.70</td><td>7.6%</td></tr> <tr><td>05'15</td><td>9.85</td><td>8.1%</td></tr> <tr><td>06'15</td><td>10.04</td><td>7.5%</td></tr> </tbody> </table>	Month	M2 (trillion MNT)	Share of Currency issued in circulation (%)	01'15	10.31	7.1%	02'15	10.23	7.6%	03'15	9.90	7.1%	04'15	9.70	7.6%	05'15	9.85	8.1%	06'15	10.04	7.5%							
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<p>Deposits</p>	<p>previous year. Total deposits totalled MNT 7.3 trillion in June 2015, increase by 190.3 billion or 2.7 percent from the month. This is an increase by 172.1 billion or 2.4 percent from the same period last year. Savings from the previous month increased by MNT 89.9 billion or 1.7 percent increase in local currency deposits and foreign currency deposits decreased by 5.2 percent or 100.5 billion.</p>	<p>(billion MNT) Deposits</p>  <table border="1"> <thead> <tr> <th>Month</th> <th>MNT (Left)</th> <th>Foreign Currency (Left)</th> <th>Total (Right)</th> </tr> </thead> <tbody> <tr><td>01'15</td><td>51.9</td><td>22.0</td><td>7.6</td></tr> <tr><td>02'15</td><td>51.2</td><td>21.5</td><td>7.5</td></tr> <tr><td>03'15</td><td>52.0</td><td>21.8</td><td>7.4</td></tr> <tr><td>04'15</td><td>51.2</td><td>20.9</td><td>7.2</td></tr> <tr><td>05'15</td><td>52.0</td><td>19.2</td><td>7.1</td></tr> <tr><td>06'15</td><td>7.3</td><td></td><td>7.3</td></tr> </tbody> </table>	Month	MNT (Left)	Foreign Currency (Left)	Total (Right)	01'15	51.9	22.0	7.6	02'15	51.2	21.5	7.5	03'15	52.0	21.8	7.4	04'15	51.2	20.9	7.2	05'15	52.0	19.2	7.1	06'15	7.3		7.3
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<p>Loans</p>	<p>Total outstanding loans for businesses and individuals granted to MNT 11.9 trillion as of June 2015, and was decreased by 222.2 billion or 1.8 percent from the previous month and 345.4 billion, or 2.9% compared to the previous year. For the same period, non-performing loans amounted to 774 billion, a 4.8% (35.3 billion), a increase from the previous month and 36.5% (206.9 billion) the same period of the last year. Share of non-performing loans has made up 6.5% of total loans.</p>	<p>(billion MNT) Total loan</p>  <table border="1"> <thead> <tr> <th>Month</th> <th>Loans outstanding (left)</th> <th>Share of Non-performing loans (right)</th> </tr> </thead> <tbody> <tr><td>01'15</td><td>12,089</td><td>5.4</td></tr> <tr><td>02'15</td><td>12,177</td><td>5.5</td></tr> <tr><td>03'15</td><td>12,271</td><td>5.7</td></tr> <tr><td>04'15</td><td>12,297</td><td>6.1</td></tr> <tr><td>05'15</td><td>12,170</td><td>6.1</td></tr> <tr><td>06'15</td><td>11,948</td><td>6.5</td></tr> </tbody> </table>	Month	Loans outstanding (left)	Share of Non-performing loans (right)	01'15	12,089	5.4	02'15	12,177	5.5	03'15	12,271	5.7	04'15	12,297	6.1	05'15	12,170	6.1	06'15	11,948	6.5							
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<p>Mortgages</p>	<p>As of June 2015, total value of outstanding mortgage loans rose by 2 percent (64.2 billion) from the previous month and 30.8 percent (752 billion) from the same period of the previous year, and reached at MNT 3.19 trillion. In June, MNT 100.2 trillion mortgage loan was granted to 1567 applicants, and made up 72412 borrowers. The ratio of mortgage loans between MNT and foreign currencies is presently 98/2% in favour of domestic, and the total market share of non-performing mortgage loans is 0.5 percent.</p>	<p>(Borrowers) Total mortgage loan</p>  <table border="1"> <thead> <tr> <th>Month</th> <th>Total mortgage loan (left)</th> <th>Borrowers (right)</th> </tr> </thead> <tbody> <tr><td>01'15</td><td>2.90</td><td>67,233</td></tr> <tr><td>02'15</td><td>2.95</td><td>68,126</td></tr> <tr><td>03'15</td><td>3.02</td><td>69,269</td></tr> <tr><td>04'15</td><td>3.08</td><td>70,498</td></tr> <tr><td>05'15</td><td>3.13</td><td>71,355</td></tr> <tr><td>06'15</td><td>3.19</td><td>72,412</td></tr> </tbody> </table>	Month	Total mortgage loan (left)	Borrowers (right)	01'15	2.90	67,233	02'15	2.95	68,126	03'15	3.02	69,269	04'15	3.08	70,498	05'15	3.13	71,355	06'15	3.19	72,412							
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* Source BoM

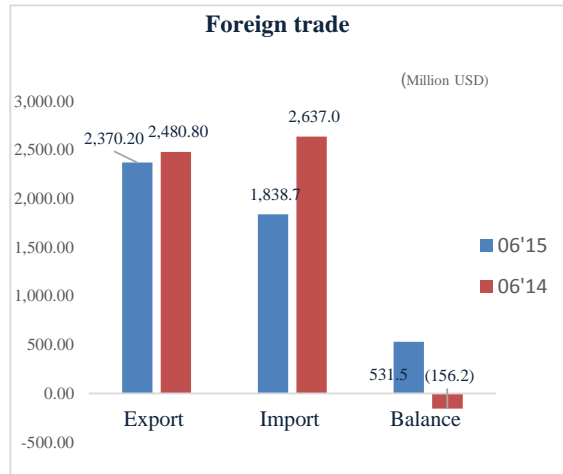
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June 2015

Foreign Trade

Foreign Trade

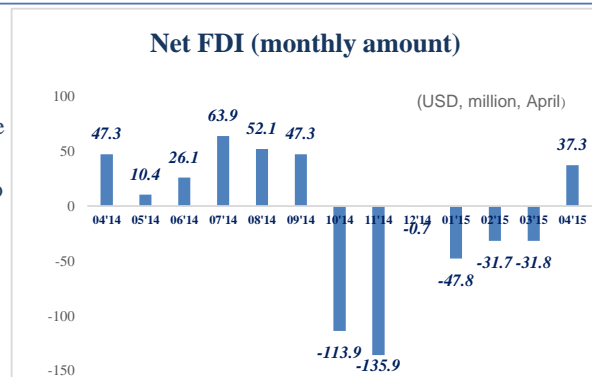
In June 2015, total trade turnover reached at USD 4,208.9 million, of which exports totalled 2370.3 million and imports amounted 1838.7 million and resulting in foreign trade surplus of 531.5 million. Compared to previous year, total turnover increased by USD 700.9 or 17.4 percent, imports and exports decreased by US \$ 648.9 million or 31% and USD 52 million or 2.7 percent, respectively. The decrease in export was attributable to mineral products exports and non-woven product. And decrease in imports was mainly due to steel products, machinery and mechanical tools, electrical appliances and spare parts.



* Source NSC, BOM

Foreign direct investment

Net Foreign Direct Investment inflows in May amounted to USD 37.3 million and is increased by USD 18 million compared to the same period of the previous year and is decreased by \$ USD 8.9 million compared to the previous month. In May, investments outflow was equated to USD 1.6 million, while investment inflows amounted to USD 30 million.



* Source NSO, BOM

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June 2015

Highlights of the month

- 8-Jun** President of Mongolia Tsakhiagiin Elbegdorj paid an official visit to the European Parliament, Strasbourg, France, on June 8-10, 2015, upon the invitation of the President of the European Parliament, Mr. Martin Schulz. President Elbegdorj held meetings with the President of the European Parliament, Mr. Martin Schulz and the President of the European Commission, Mr. Jean-Claude Juncker respectively and exchanged views on the current bilateral relations and further opportunities for enhancing cooperation between Mongolia and the European Union.
- 18-Jun** The Business Summit 2015 was held on June 18-20, 2015, Ikh Tenger Complex, Ulaanbaatar, Mongolia. President of Mongolia Tsakhiagiin Elbegdorj addressed at the Summit. The event started with International Ballet Festival and the gala reception hosted by the Deputy Prime Minister of Mongolia. The event program included optional site tours. This year, the business summit had convened over 400 business executives including domestic and foreign representatives. Mongolian miner Sharyn Gol JSC had closed a preliminary deal for coal shipment to South Korea via Russia and North Korea. This year, the business summit had convened over 400 business executives including domestic and foreign representatives.
- 22-Jun** MP, L.Erdenechimeg, Chair of working group in charge of concluding Tavan Tolgoi negotiations, made a statement at Government House.
- 24-Jun** The Cabinet has supported the reductions of the mortgage deposit to 10 percent while the rest 20 percent will be backed up by the Government. To clarify, middle income eligible borrowers shall make 10 percent down payment at the time of home purchase, and the Government will issue a guarantee for the remaining 20 percent payment.
- 28-Jun** Upon the invitation by President of Mongolia Tsakhiagiin Elbegdorj, President of the Republic of the Union of Myanmar His Excellency Mr. U Thein Sein paid state visit to Mongolia on June 28-30th, 2015.

Overview

TT doesn't need \$4 bn investment, says working group head

The state-owned miner for the Tavan Tolgoi coal mines does not need the USD4 billion of investment from a private consortium as proposed earlier this year, said the head of a working that has drafted an alternative agreement. The working group's agreement would see a USD200 million advance with 4.5 percent interest from investors and USD900 million to complete construction of railways, said working group head L. Erdenechimeg. Also included was USD142 million to repay what remains of the \$350 million borrowed from Aluminum Corp. of China (Chalco) in 2011. However that does not include any fee that might incur if Mongolia chooses to end the five-year off-take agreement early.

Erdenechimeg added that Erdenes TT could look forward to improved conditions in the coal market. "The coal market will recover after two years because of Chinese economic recovery and an increase from Japanese coal power plants," she said.

Source: *Unuudur, News.mn*



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