

**MONGOLIA: MONTHLY MACROECONOMIC
OVERVIEW**

March 2015

Indicators:

<p>Y-o-Y GDP growth of 7.8% in Q4 2014</p>	<p>Net FDI inflows in March USD 5.7 million</p>	<p>Budget deficit MNT 144.6 billion</p>	<p>Annual Inflation 9.3% Y-o-Y</p>	<p>Non-performing loans increased by MNT 36 billion in March</p>	<p>USD 1,323.9 million in BoM foreign currency reserves in March 2015</p>
<p>* 14.4% growth in agriculture, * 16.1% growth in industry and construction sector * 4.8% growth in services sector.</p>	<p>Net FDI decreased by USD 64 million compared with the same period previous year, and USD 4.6 million compared with previous month.</p>	<p>MNT 1.23 trillion in revenue and MNT 1.37 trillion in expenditure.</p>	<p>Inflation of 0.8 percent compared with previous month, and 9.3 percent year to date.</p>	<p>Non-performing loans rose 5.4% compared with the previous month to total MNT 703 billion.</p>	<p>BOM reserves decreased by USD 38.6 million or 2.8 percent compared with previous month.</p>



The BOM's average US dollar nominal exchange rate
MNT 1,986



Housing price index
1,173
a 0.05% increase from the previous month and a decrease of 6.7% when compared against previous year.



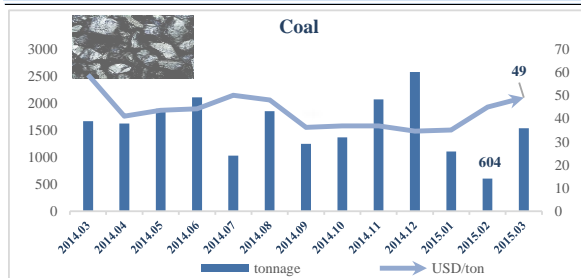
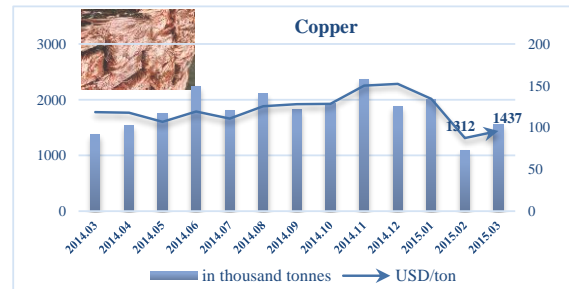
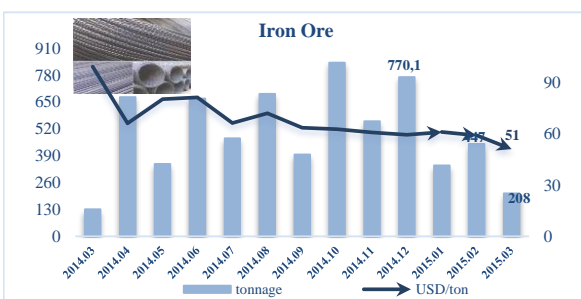
Current BOM official policy rate 13%



International Women's Day celebrated in Mongolia
Since 1975, the 8th of March been globally recognised as International Women's Day, celebrating the economic, social and cultural achievements of women.

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

Working Visit



Mongolia's President Elbegdorj conducted a working visit to Germany on March 2-4, 2015. The visit included meetings with the President of Germany, Joachim Gauk, and the German Chancellor, Angela Merkel, as well as participation in the German-Mongolian Business Forum.

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Macroeconomic Indicators

March 2015

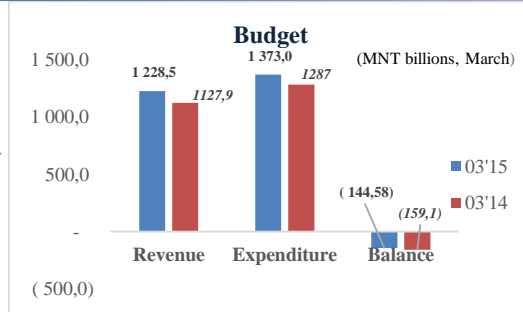
GDP

Cumulative GDP at constant prices for 2014 was MNT 15.5 trillion, an increase of 7.8% from the previous year. This consisted of the agricultural sector (up 14.4%), industry and construction sector, (up 16.1%) and a 4.8 percent increase in the services sector.



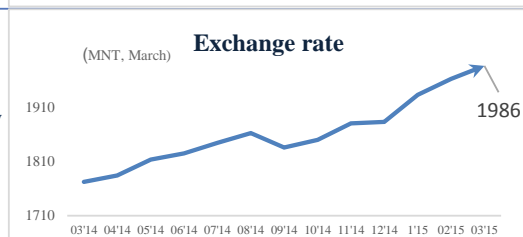
Budget

In March, total state budget revenue totaled MNT 1.2 trillion, while expenditure and net lending was MNT 1.4 trillion, leading to a total budget deficit of MNT 144.6 billion. This is a fall of MNT 14.5 billion compared with the previous year.



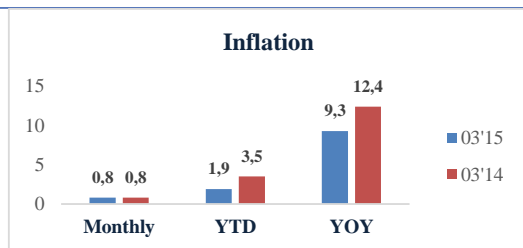
Exchange rate

In March, the Mongolian tugrik further depreciated in the forex market, with one usd now worth MNT 1,986.22. This represents a depreciation of MNT by 214 or 12.1 percent from the same period last year, MNT 24.5 or 1.2 percent from the previous month and 5.5% from the beginning of 2015.



Inflation

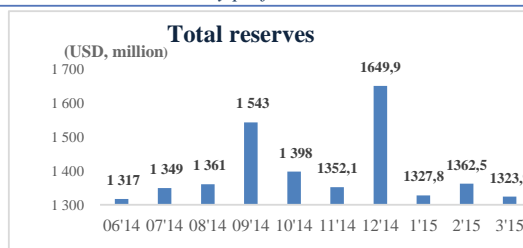
In March 2015, the Consumer Price Index rose 0.8 percent from the previous month, and increased by 9.3 percent compared to the same period previous year.



* Preliminary performance, Source NSO, BOM

Foreign exchange reserves

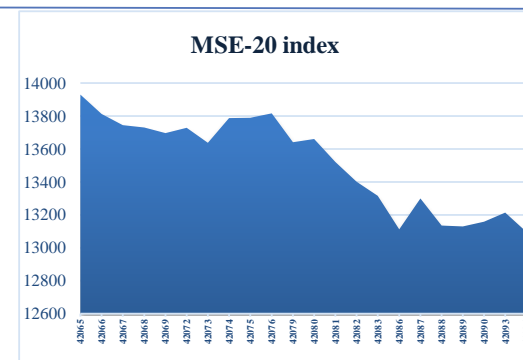
Foreign exchange reserves were USD 1,323.9 million in March 2015. This is a 2.8 percent, or USD 38.6 million fall from previous month, and a 31.9 percent (USD 619 million) reduction from the same period last year. Gold reserves at BoM have fallen 41 percent from the same period last year, now at 985.5 kg.



* Source BOM

MSE-20 index

In the first quarter of 2015, the Mongolian Stock Exchange traded 14.1 million securities valued at MNT 111.7 billion. The day to day average volume in March also represents a 21-fold increase compared with the same period previous year. The Top-20 index fell to 13,516 by the end of March. This is a 487.3 point reduction compared with previous year.

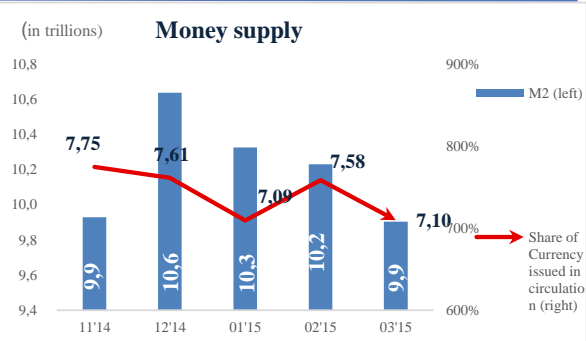


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The financial sector

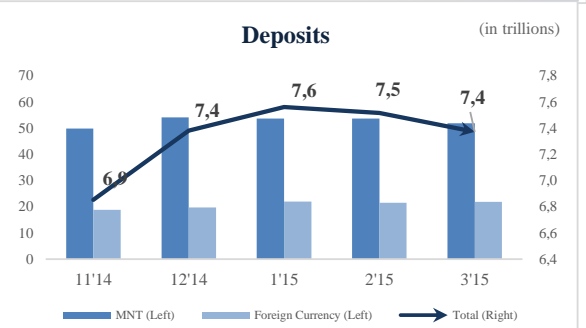
Money

The M2 money supply fell by MNT 382.7 billion (3.2%) in March compared with previous month but only 0.1% compared with the same period previous year. In March, cash in circulation totalled MNT 702.8 billion, a MNT 73.1 billion or 9.4% decrease from the previous month and a decrease of MNT 98.3 billion or 12.3% from the same period previous year.



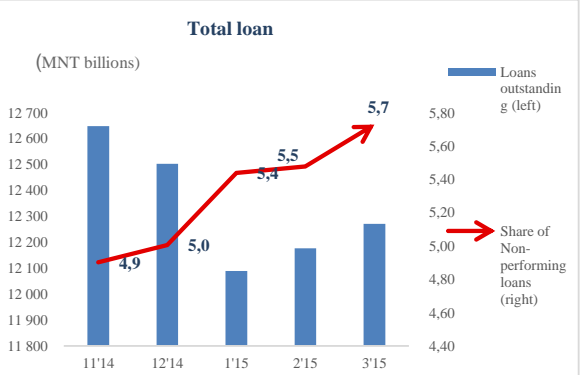
Deposits

Total deposits in March decreased by MNT 145 billion or 1.9 percent compared with previous month and totalled 7,370.2 billion. This is also an increase of 187.6 billion or 2.6 percent from the same period last year. Foreign currency deposits now account for 29.6% of total deposits, an increase of 9.2% compared with previous year (MNT deposits grew by 0.1% for the same period).



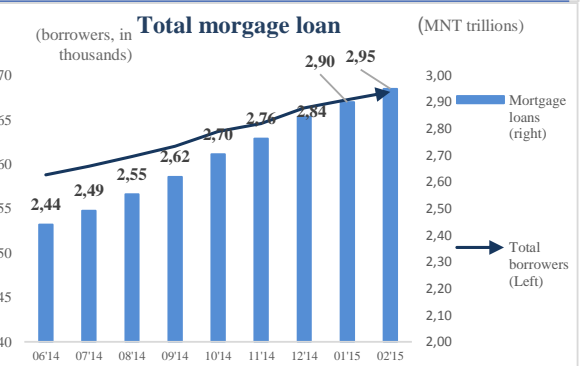
Loans

The value of total outstanding loans rose to MNT 12.3 trillion in March, an increase of 94 billion or 0.8 percent from the previous month and a 890 billion or 7.8% increase from the same period previous year. Non-performing loans are now worth 703 billion, an increase from the previous month of 5.4% (36 billion), and an 18.3% increase on the same period last year (108 billion). The market share of non-performing loans has increased for 6 consecutive months and now makes up 5.73% of total loans.



Mortgages

During the month of February, total mortgage lending increased 1.7 percent from the previous month (MNT 50.5 billion), and 39 percent from the same period of the previous year (827.5 billion). Total outstanding mortgage value is equal to MNT 2.94 trillion. Loans in MNT made up 98.1 percent of this while foreign currency loans were 1.9 percent. The total market share of non-performing mortgage loans is 0.5 percent. At the end of 2014, the split between mortgage loans outstanding in Ulaanbaatar city against rural areas was 77.0 percent to 23 percent.



* Source BOM

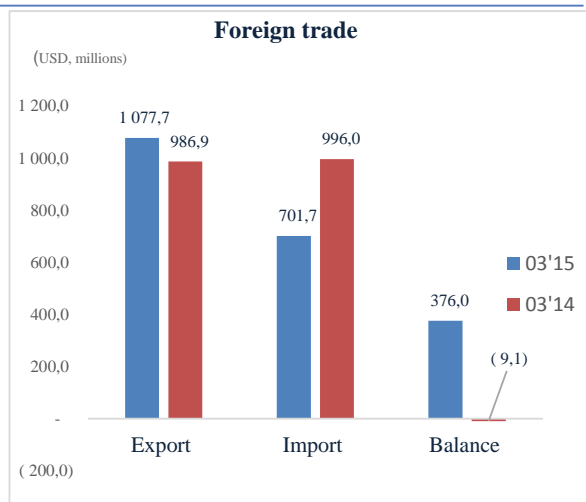
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March 2015

Foreign Trade

Foreign Trade

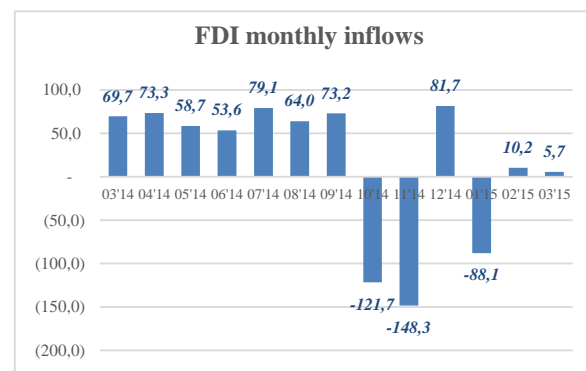
For the first 3 months of 2015, cumulative trade was worth USD 1,779.5 million. Of this, exports totaled 1,077.7 million and imports totaled 701.7 million, resulting in a trade surplus of 376 million. Total turnover for the three months was USD 203.4 million dollars, or 10.3 percent lower than that of the same period previous year, with imports decreasing by 294.3 million (29.5 percent) and exports increasing by 90.8 million (9.2 percent). The increase in exports was attributable to mineral products, precious stones, machinery and food products, while the decrease in imports was mainly due to mineral products, automobiles, textiles and consumer goods.



* Source NSC, BOM

Foreign direct investment

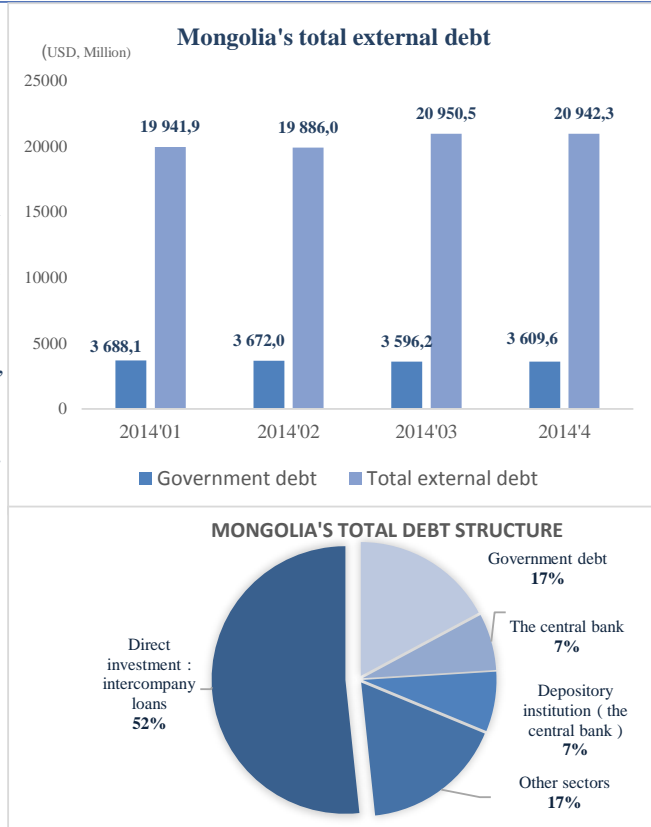
Cumulative foreign direct investment (FDI) for the first three months of 2015 has fallen USD 72.5 million. After a significant fall in January of 88.1 million, February and March have seen mildly positive inflows of 10.2 million and 5.7 million respectively.



Mongolian foreign debts and credit ratings

External debt

Mongolia's total public foreign debt is worth USD 3.6 billion. Mongolia's total external debt outstanding at the end of 2014 was 20.9 billion. This is a 10 per cent increase from the same period of the previous year (1.9 billion dollars), but a fall of 0.04 percent from the previous quarter (8.2 million). Of the total debt, 17 percent is attributable to the Government, 7 percent to the Central Bank, 8 percent to depository institutions, 17 percent to other sectors, and 51 per cent to inter-company loans. 95% of the total debt from the Central Bank is short-term, while long-term liabilities account for 5 per cent of total.



* Source BOM

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

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External debt and credit ratings

Credit ratings	S&P		Fitch	
	Mongolia	B+	Stable	B+
Date	2014.04.29		2013.12.13	

Standard & Poor's lowered its rating for Mongolia in April. Mongolia's long-term credit rating fell from "BB" to "B +" with a stable outlook. Prior to this change, the country's credit rating "BB +" had not changed since April 2014.

The cited reasons for Mongolia's decline in credit rating was due to the decrease in foreign investments of approximately 50%, as well as the ongoing current debt burden and foreign exchange risk.

Moody's :

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

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

Moody's credit rating reduced.

Moody's international credit rating for Mongolia was reduced from B1 to B2 on 17 July 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 negative outlook due to (i) inadequate foreign currency reserves (ii) unsustainable credit growth and inflationary pressures and (iii) unsustainable off-budget fiscal expenditure.

In March 2015, Moody's credit rating report issued by commercial banks of Mongolia. This report is available for download from.

* Source <http://www.moody.com/>
<http://www.standardandpoors.com/>
<http://www.fitchratings.com/>

March 2015

Highlights of the month

- 2-Mar** President Elbegdorj conducted a working visit to Germany on March 2-4, 2015. The visit included meetings with the President of Germany, Joachim Gauk, the German Chancellor, Angela Merkel, as well as participation in the German-Mongolian Business Forum.
- 4-Mar** During his visit to Germany, President Elbegdorj also opened the "ITB Berlin 2015", the world's largest tourism trade fair. Mongolia has been participating in the event since 1999 and was made an Official Partner Country this year. The event presents products and services from over 180 countries and has over 10,000 exhibitors each year.
- 14-Mar** The Mongolian State Great Hural Speaker Z. Enkhbold and President of the German Bundestag N.Lammyertyn held meetings during the week of March 14-18, 2015, as part of Mr Enkhbold's official visit to Germany. The occasion was recognised as an opportunity to celebrate and expand cooperative relations between the two countries. The following week, Poland's Senate Marshal Bogdan Michal Borusewicz made an official visit to Mongolia at the invitation of Mr Enkhbold.
- 17-Mar** Northeast Asian countries met to discuss energy issues under the banner of "Power Ties" on March 17, at the Ministry of Foreign Affairs. The meeting included the cooperation of the Mongolian government and private sector, as well as representatives from Russia, China, North Korea and Northeast Asia, including Japan Energy representatives from research institutes.
- 22-Mar** Four percent of Mongolia's population that identify as Kazakhs celebrated their national holiday, Nauryz on March 22. Similar to Mongolia's Tsaagan Sar recognising the new moon following the winter solstice, Nauryz celebrates the spring equinox, symbolising fertility, friendship and love.

Overview

Financial Stability council.

The Financial Stability Council met on May 13, 2015. The topics of the meeting were discussion about (a) the accounting and registration issues of 1072 shares held by Mongolian citizens, (b) clearing and settlement practices for securities trading, (c) phase out of the "Price Stabilization Program", (d) the terms and conditions of the World Bank's development policy lending (e) improving governance and spending efficiency for the Development Bank of Mongolia, (f) establishing a state-owned asset management unit, (g) an update on domestic foreign exchange market, and (h) an update on inflation conditions.

On March 12 the Government held an extraordinary session to discuss the following issues: economic growth and supporting the development of domestic sectors, increasing the country's currency reserves while supporting the production of gold mining and production, financing measures, and determining sources for concessional loans J.Erdenebat Minister of Finance and Minister of Mining R. Jigjid coordinated with the relevant regulations and the Executive Director of the Development Bank of Mongolia.