




**MONGOLIA: MONTHLY MACROECONOMIC
OVERVIEW**

May 2015

Indicators:

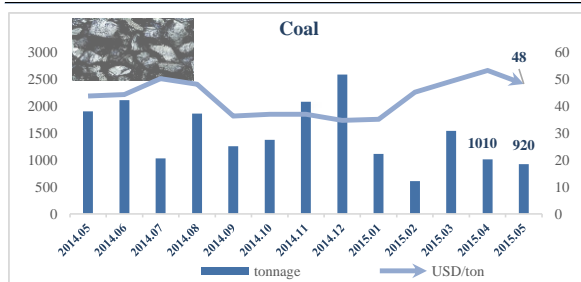
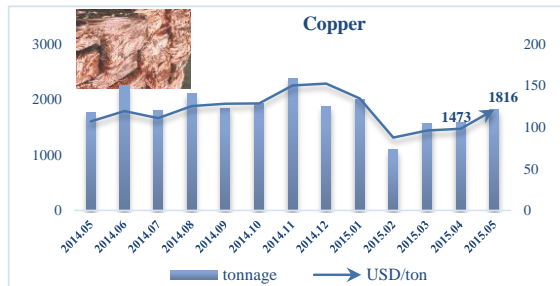
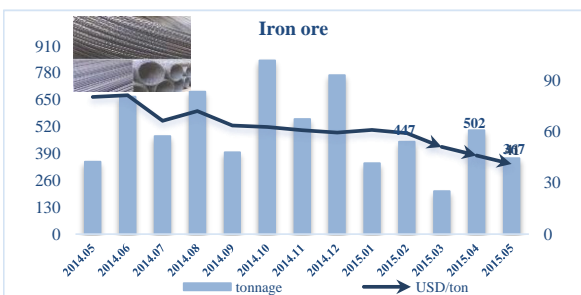
GDP growth of 4.4% in Q1 2015 (Y-o-Y)	FDI reached 37.3 million dollars (in April)	Cumulative budget deficit MNT 347.7 billion	Annual Inflation 8%	Non-performing loans decreased by MNT 8.4 billion	USD 1267.3 million in BoM foreign currency reserves in April
* 9.2% growth in agriculture, * 13.1% growth in industry and construction sector * 3.3% growth in services sector.	Net FDI decreased by USD 10 million compared to the same period previous year, and USD 69.1 million compared with previous month.	MNT 2.09 trillion in revenue and MNT 2.44 trillion in expenditure.	Inflation increased by 0.4 percent compared against previous month, and 8 percent year to date.	Non-performing loans decreased 1.1% compared with the previous month to total MNT 738.6 billion.	BOM reserves decreased by USD 56.6 million or 4.3 percent compared with previous month.
 The average USD/MNT nominal exchange rate MNT 1,939.3	 Housing price index 1.168 a 0.207% increase from the previous month and a decrease of 5.4% when compared against previous year.	 Current BOM official policy rate 13%			



Trade and Development Bank traded government guaranteed \$ 500 million of medium-term bonds in the world financial markets on May 19, 2015

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)

Голлох бүтээгдэхүүн	2012 он		2013 он		2014 он	
	Тонн	Ам.доллар	Тонн	Ам.доллар	Тонн	Ам.доллар
Чулуун нүүрс	20574	1 880 396	18 194	1 116 153	1 106	850 615
Төмрийн хүдэр	6415	532 509	6725	654 333	8 338	448 378
Бажмал	575	838 780	650	948 951	1 378	2 575 636
Нийт	27564	3 251 685	25 569	2 719 437	10 822	3 874 629



Mongolia's Government and "Rio Tinto" settled the 2 year long tax disagreement regarding underground mining.

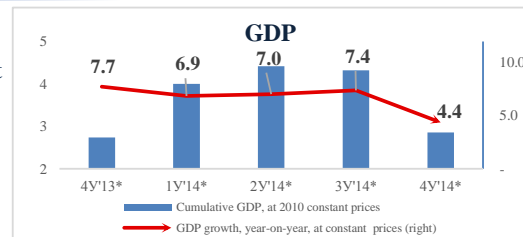
MONGOLIA:MONTHLY MACROECONOMIC OVERVIEW

Macroeconomic Indicators

May 2015

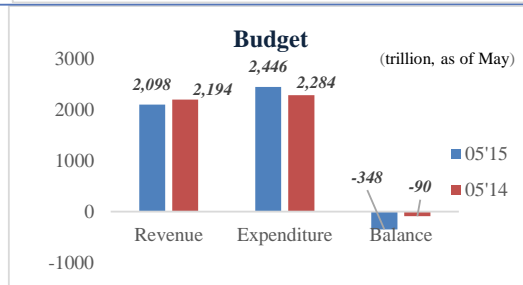
GDP

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. During the same period, the agricultural sector grew by 9.2 percent, the industry and construction sector by 13.1 percent, and the services sector by 3.3 percent.



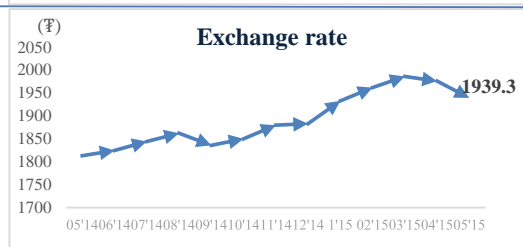
Budget

In May, cumulative state budget revenue total MNT 2.09 trillion, while expenditure total 2.44 trillion, resulting in a deficit of 347.7 billion. This equates to a 240.7 billion or 248.4 percent increase in the size of the deficit from previous 12 months.



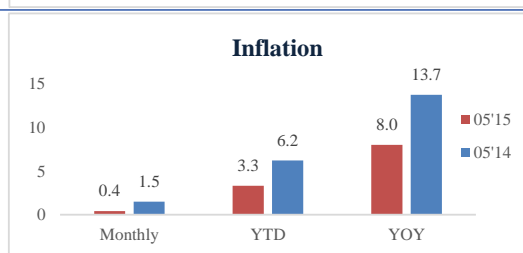
Exchange rate

In May, the Mongolian tugrik further appreciated in the forex market, with USD 1 equal to MNT 1,939.3 for the month of May. While this is a 1.8 percent increase from previous month, it remains a 4% depreciation from the start of 2015 and a 7% fall from the same period previous year.



Inflation

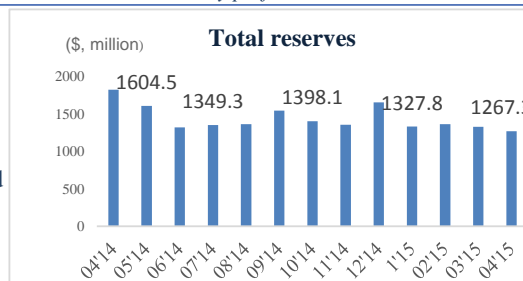
In May 2015, the Consumer Price Index rose 0.4 percent from the previous month, and by 8 percent compared to the same period previous year. The index of the previous month and 0.4 percent increase in food and non-alcoholic beverages, 0.8 percent in the price of water, clothing, fabrics, accessories and footwear group was due to an 0.5% increase.



* Preliminary performance, Source NSO, BOM

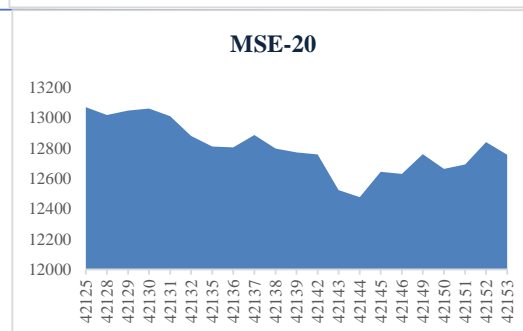
Foreign exchange reserves

Foreign exchange reserves were USD 1267.3 million in April 2015. This is a 4.3 percent, or US 56.6 million fall from the previous month and 23.2 percent fall from the same period previous year - a decrease of USD 60.5 million. The BoM's total gold reserves fell by 13 percent from the same period previous year to total 895.4 kgs.



MSE-20 index

Total value of securities traded in May were MNT 481.9 billion, with over 16.6 million transactions. This is a 376 billion, or 4.6 fold increase compared to the same period of the previous year. The Top-20 index in May 2015 was 12,805.2, a fall of 308.5 points from the previous month.

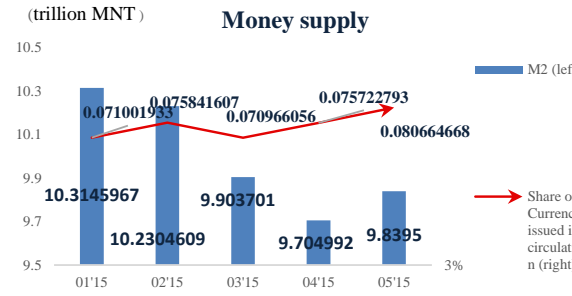
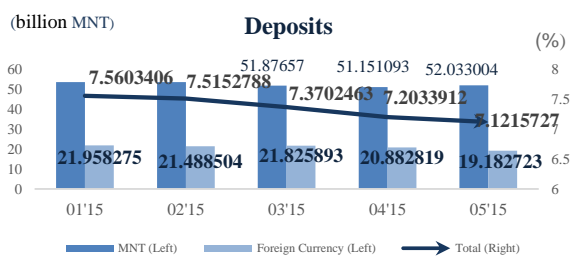
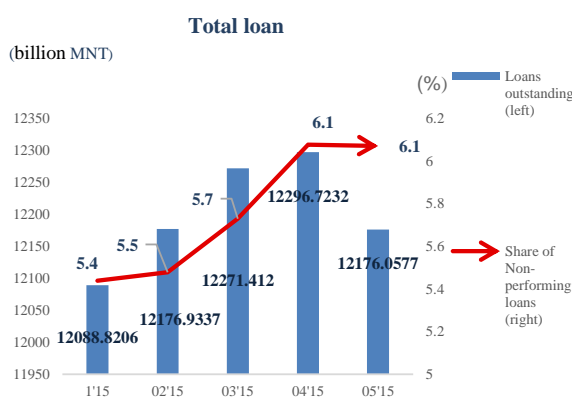
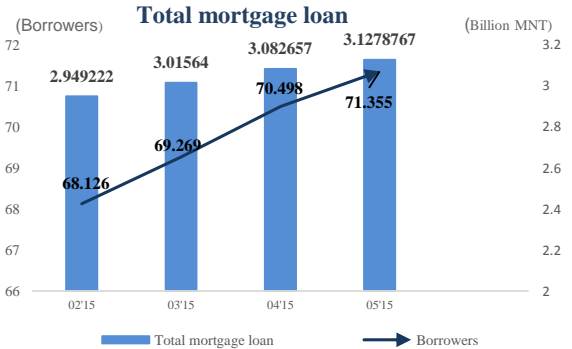


* Mongolian Stock Exchange

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The financial sector

May 2015

<p>Money</p>	<p>M2 Money supply at the end of May 2015 totaled MNT 9.8 trillion, a 134.5 billion or 1.4% fall from the previous month and 401 billion or 3.9 percent from the same period of the previous year respectively. Cash flows from May reached 793.7 billion, an increase of 58.8 billion or 8% over the previous month, a decrease of 69.3 billion or 8% from the same period previous year.</p>	 <p>Money supply (trillion MNT)</p> <table border="1"> <thead> <tr> <th>Month</th> <th>M2 (left)</th> <th>Share of Currency issued in circulation (right)</th> </tr> </thead> <tbody> <tr> <td>01'15</td> <td>10.3145967</td> <td>0.071001933</td> </tr> <tr> <td>02'15</td> <td>10.2304609</td> <td>0.075841607</td> </tr> <tr> <td>03'15</td> <td>9.903701</td> <td>0.070966056</td> </tr> <tr> <td>04'15</td> <td>9.704992</td> <td>0.075722793</td> </tr> <tr> <td>05'15</td> <td>9.8395</td> <td>0.080664668</td> </tr> </tbody> </table>	Month	M2 (left)	Share of Currency issued in circulation (right)	01'15	10.3145967	0.071001933	02'15	10.2304609	0.075841607	03'15	9.903701	0.070966056	04'15	9.704992	0.075722793	05'15	9.8395	0.080664668						
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<p>Deposits</p>	<p>Total deposits totaled MNT 7.1 trillion in May 2015, a decrease of 81.8 billion or 1.1 percent from the month. This included a 1.7 percent increase in MNT deposits and a 8.1 percent fall in foreign currency deposits. In annual terms, the result was an decrease of 16.2 billion or 0.2 percent from the same period previous year.</p>	 <p>Deposits (billion MNT)</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>7.5603406</td> <td>21.958275</td> <td>51.87657</td> </tr> <tr> <td>02'15</td> <td>7.5152788</td> <td>21.488504</td> <td>51.151093</td> </tr> <tr> <td>03'15</td> <td>7.3702463</td> <td>21.825893</td> <td>52.033004</td> </tr> <tr> <td>04'15</td> <td>7.2033912</td> <td>20.882819</td> <td>51.215727</td> </tr> <tr> <td>05'15</td> <td>7.1215727</td> <td>19.182723</td> <td>50.8184957</td> </tr> </tbody> </table>	Month	MNT (Left)	Foreign Currency (Left)	Total (Right)	01'15	7.5603406	21.958275	51.87657	02'15	7.5152788	21.488504	51.151093	03'15	7.3702463	21.825893	52.033004	04'15	7.2033912	20.882819	51.215727	05'15	7.1215727	19.182723	50.8184957
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<p>Loans</p>	<p>Total outstanding loans for enterprises, organizations was MNT 12.3 trillion as of May 2015, a 126.9 billion or one percent decreased from the previous month and 104.9 billion, or 0.9% rise compared with previous year. For the same period, non-performing loans decrease to 738.6 billion, a 1.1% (8.4 billion), a decrease from previous month and 19.2% (118.8 billion) increase from the same period last year. Share of non-performing loans has now increased for seven consecutive months, representing 6.1% of total.</p>	 <p>Total loan (billion MNT)</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>12088.8206</td> <td>5.4</td> </tr> <tr> <td>02'15</td> <td>12176.9337</td> <td>5.5</td> </tr> <tr> <td>03'15</td> <td>12271.412</td> <td>5.7</td> </tr> <tr> <td>04'15</td> <td>12296.7232</td> <td>6.1</td> </tr> <tr> <td>05'15</td> <td>12176.0577</td> <td>6.1</td> </tr> </tbody> </table>	Month	Loans outstanding (left)	Share of Non-performing loans (right)	01'15	12088.8206	5.4	02'15	12176.9337	5.5	03'15	12271.412	5.7	04'15	12296.7232	6.1	05'15	12176.0577	6.1						
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<p>Mortgages</p>	<p>As of May 2015, total value of outstanding mortgage loans rose by 1.5 percent (45.2 billion) from the previous month and 32.2 percent (762.5 billion) from the same period of the previous year, to reach MNT 3.13 trillion. 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 0.6 percent.</p>	 <p>Total mortgage loan (Borrowers)</p> <table border="1"> <thead> <tr> <th>Month</th> <th>Total mortgage loan</th> <th>Borrowers</th> </tr> </thead> <tbody> <tr> <td>02'15</td> <td>2.949222</td> <td>68.126</td> </tr> <tr> <td>03'15</td> <td>3.01564</td> <td>69.269</td> </tr> <tr> <td>04'15</td> <td>3.082657</td> <td>70.498</td> </tr> <tr> <td>05'15</td> <td>3.1278767</td> <td>71.355</td> </tr> </tbody> </table>	Month	Total mortgage loan	Borrowers	02'15	2.949222	68.126	03'15	3.01564	69.269	04'15	3.082657	70.498	05'15	3.1278767	71.355									
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* Source BoM

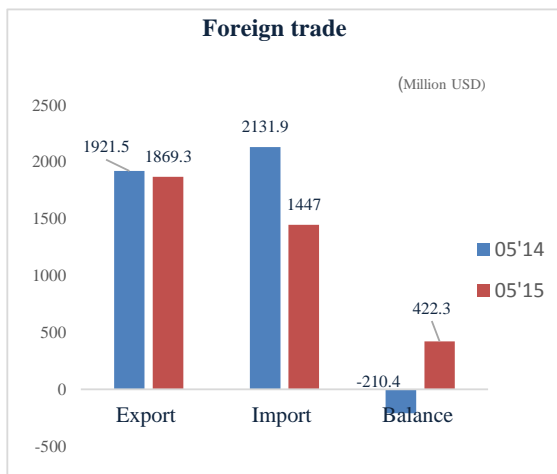
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May 2015

Foreign Trade

Foreign Trade

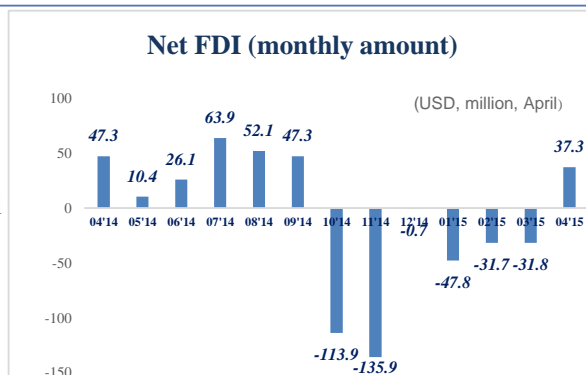
In May 2015, there was total trade turnover of USD 3,316.2 million, of which exports total 1,869.3 million and imports reached 1,447.0 million. This resulted in foreign trade surplus of 422.3 million. Total turnover fell 700.9 million or 17.4 percent from the same period previous year, with imports responsible for most of the fall (down 648.9 million or 31.0 percent), while exports rose marginally by 52 million or 2.7 percent. The decrease in exports is attributable to mineral products, precious stones and metals, gold, metal products, machinery and electrical appliances, while the fall in imports is from machinery and mechanical appliances, electrical appliances, spare parts, etc.



* Source NSC, BOM

Foreign direct investment

Net Foreign Direct Investment inflows in April were USD 37.3 million. This is a increase of 10 million from the same period of the previous year. Net foreign direct investment (FDI) since October 2014 in April this year, there was negative and showed a positive approach has been shown to increase investments made in Mongolia.



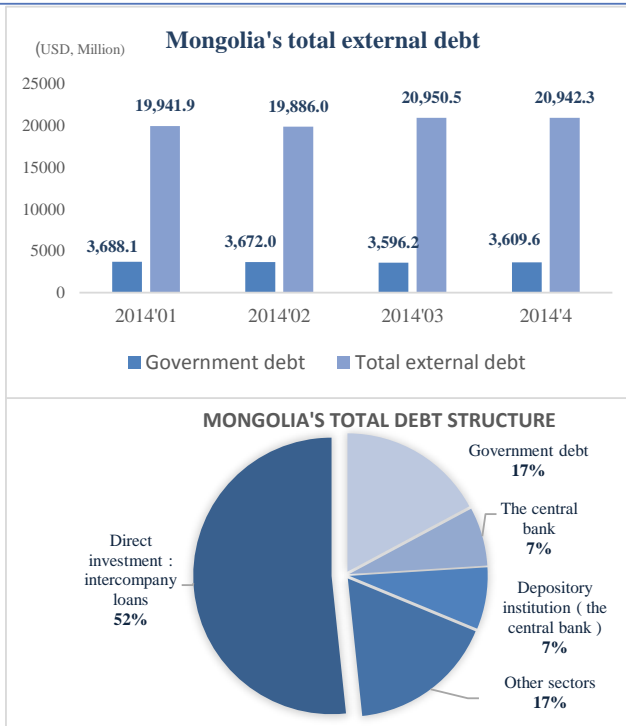
* Source NSO, BOM

MONGOLIA:MONTHLY MACROECONOMIC OVERVIEW

May 2015

Mongolia foreign debt and credit ratings
External debt

Mongolia's total public foreign debt was worth USD 3.6 billion in March. Total external debt outstanding at the end of 2014 was 20.9 billion. This was a 10 percent (1.9 billion) increase from the same period of the previous year, but a fall of 0.04 percent (8.2 million) from the previous quarter. 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 last changed its rating Mongolia in April 2014. 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 2013.

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.moodys.com/>
<http://www.standardandpoors.com/>
<http://www.fitchratings.com/>

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March 2015

Highlights of the month

- 13-May** MECS, MUST, Ministry of Industry, National Information Technology Park, Mongolia Innovation Assocation, MNCCI and Mongolian Technology Policy Association of technological innovation under the week, "National Innovation Forum" on May 13, held at the State Palace Socio-economic build a culture of innovation and creativity in order to develop innovative partnerships "Mongolian Innovation Week" is being started by the Forum..
- 15-May** "Clean" coal technologies in the purpose to introduce the concept of "World Clean Coal" implement an international conference was held in Mongolia for the 2nd. "Clean" coal technology to showcase and introduce and implement an international conference designed to avoid harming the environment are involved in the coal processing experience using technology companies. In this year's conference, nearly 100 international and local delegates participated.
- 19-May** Mongolia's Government and "Rio Tinto" tax disagreement and underground finance was decided on the 19th day of May, 2015. Regarding the "Turquoise Hill" has made some concessions on several issues.
- 19-May** Mongolia's Prime Minister Ch.Saikhanbileg made a working visit to the United Arab Emirates in May 2015 of 19-21 days. During his visit, "Oyu Tolgoi underground mine development and financing plan" was for signed.

Overview

The development of the underground mine at Oyu Tolgoi in Mongolia has taken a significant step forward today with the signing of the Oyu Tolgoi Underground Mine Development and Financing Plan (the Plan) by the Government of Mongolia, Turquoise Hill Resources and Rio Tinto. The Plan addresses the key outstanding shareholder issues and sets out an agreed basis for the funding of the project.

the following:

Raw materials processing and transportation costs as a percent of smelting factory exploitation fee income paid in Mongolia.

"OT" proceeds from the sale to pay five percent of the cost of any change that Mongolia estimated five percent of the total income will be paid to the government of Mongolia.

Mongolia's tax organization made the original estimate, "Turquoise Hill" from company to pay \$ 127 million but instead would pay \$ 30 million, the two sides decided to tax disagreement.

"Turquoise Hill" has announced "OT" 80 percent of the reserves are underground mine activities need inject six billion dollars. Much of this four-billion dollar funding set of more than 10 banks have created the world as the.

Trade and Development Bank introduced Custodian Services.

TDB introduced Custodian services for the first time in the stock market. This will "open door" to interact with international custodian banks. Which has the potential to attract new opportunities for investment a flows in the international stock markets.



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