

**MONGOLIA: MONTHLY MACROECONOMIC
OVERVIEW**

September 2015

Indicators:

GDP growth of 3% in Q2 2015 (Y-o-Y)	FDI reached -47.3 million dollars	A budget deficit MNT -867.3 billion	Inflation 4.9%	Non-performing loans increased by MNT 836.8 billion	USD 1.5 billion in BoM foreign currency reserves in September
* 9.2% growth in agriculture, * 12.1% growth in industry and construction sector * 3% growth in services sector.	Net FDI decreased by USD 99.4 million compared to the same period of previous year, and by USD 52.1 million compared to the previous month.	MNT 4.04 trillion in revenue and MNT 4.91 trillion in expenditure and a balance deficit of MNT -867.3 billion	Decrease by 0.8 percent compared to previous month, and increased by 6.6 percent beginning of the year and by 4.9 percent year to date.	Non-performing loans decreased by MNT 29 billion or 3.3% compared to the previous month of reaching a total MNT 836.8 billion.	Increased by USD 145 million or 10.3 percent compared to the previous month. The amount of foreign currency reserve reached USD 1.5 billion



Average USD/MNT
nominal exchange rate
1993.79



Housing price index
1.093
decreased by 2.1% compared to
the previous month and by 8.1%
y.o.y respectively.



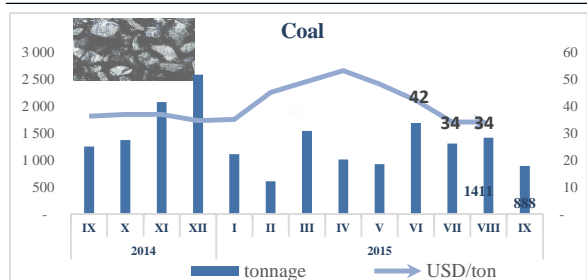
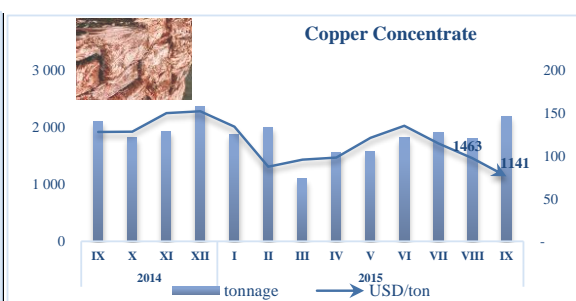
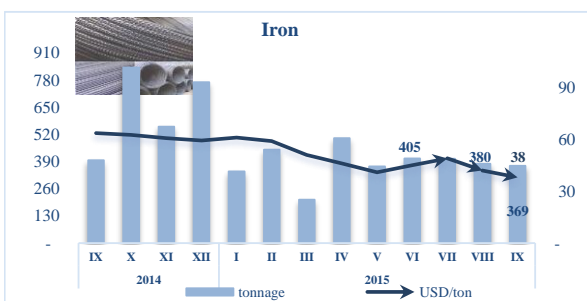
BoM policy rate
13%



Opening ceremony of the 800th birth anniversary of Khubilai Khaan was held on September 15-23, 2015. Prime Minister Ch.Saikhanbileg, Minister and Head of the Cabinet Secretariat of Government S.Bayartsogt, Minister for Education, Culture and Science L.Gantumur and administration of Mongolian Academy of Science (MAS) and other researchers and academias attended the ceremony.

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

On 13 September, 2015 The State Great Khural is celebrating the 25th anniversary of the establishment of permanently functioning parliament in Mongolia. Z.Enkhbold, Speaker of the Parliament of Mongolia, gave a speech at the ceremony.

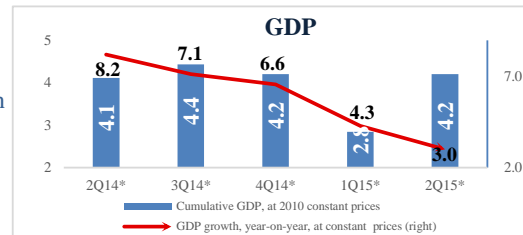
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Macroeconomic Indicators

September 2015

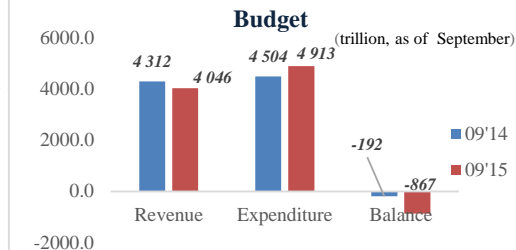
GDP

Cumulative GDP at constant prices in the second quarter of 2015 totalled MNT 7.0 trillion, a 205.6 billion or 3 percent increase compared to increase in the same period of the previous year. This comprised of increase in the agricultural sector by 9.4 percent, the industry, construction sector by 12.1 percent and the services sector by 3 percent.



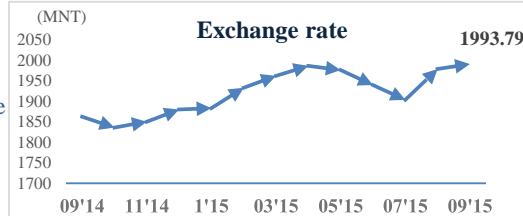
Budget

Cumulative state budget revenue (including aid) totalled MNT 4.04 trillion in September, while expenditure and net lending amounted to MNT 4.91 trillion. This resulted in general government deficit of 867.3 billion. Deficit increased by MNT 674.8 billion from the same period of the previous year which is a 3.5 fold increase equivalent to 3.9 percent.



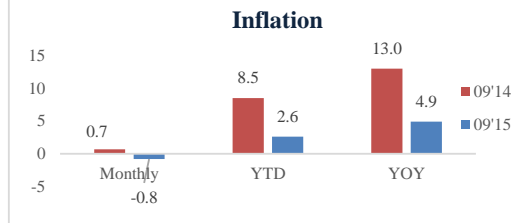
Exchange rate

In September, the Mongolian tugrik further appreciated in the forex market, the average nominal exchange rate against US dollar was MNT 1993.79. This is a 0.2 percent or MNT 3.31 increase from previous month and 8.6% or MNT 158.04 increase from the same period of the previous year, the exchange rate has also fallen by 90 MNT in the last 2 months.



Inflation

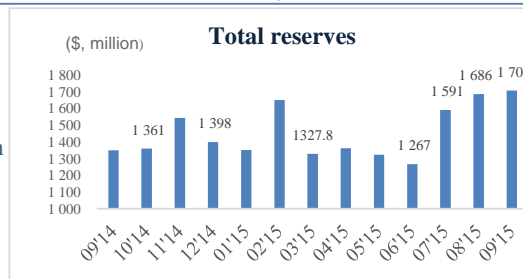
In September 2015, Consumer Price Index decreased by 0.9 percent from the previous month, and rose by 4.9 percent compared to the same period of the previous year. A decrease of 0.8% during the previous month was mainly due to the price fall of 3.6 percent in food and non-alcoholic beverages.



* Preliminary results, Source NSO, BoM

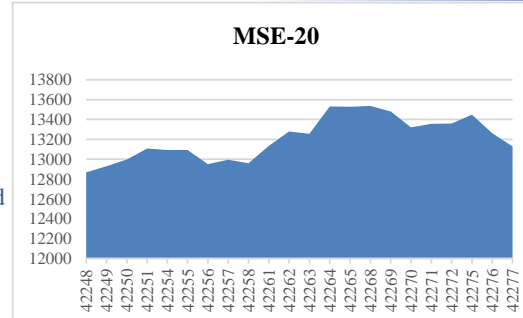
Foreign exchange reserves

As of September, 2015, foreign exchange reserves were USD 1.5 billion. This is a 10.3 percent, or US dollar 145 million increase from the previous month and a falling of 6.5%, or \$ 107 million compared to the period of beginning of the year.



MSE-20 index

Total value of securities traded in September were MNT 413 billion, with over 24.4 million transactions. This is a 500.3 billion, or 4.7 times increase, trading securities decreased by 11.3 million or 34.3 percent compared to the same period of the previous year. The Top-20 index in September 2015 was 13,679 an increase by 411 points from the previous month.



* Mongolia Stock Exchange

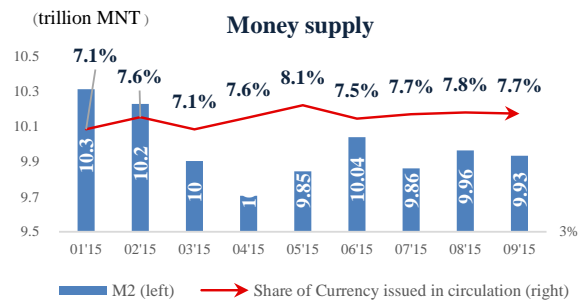
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The financial sector

September 2015

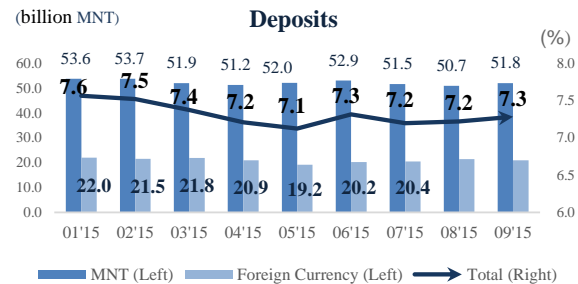
Money

M2 Money supply at the end of September 2015 totaled MNT 10 trillion, a decrease of 29 billion or 0.3%, from the previous month and a decreased by 139 billion or 1.3 percent from the same period of the previous year. In September, cash flows reached 767.8 billion. It is a decrease by 6.5 billion or 0.8% over the previous month and a decrease by 59.4 billion or 7.1% from the same period previous year, respectively.



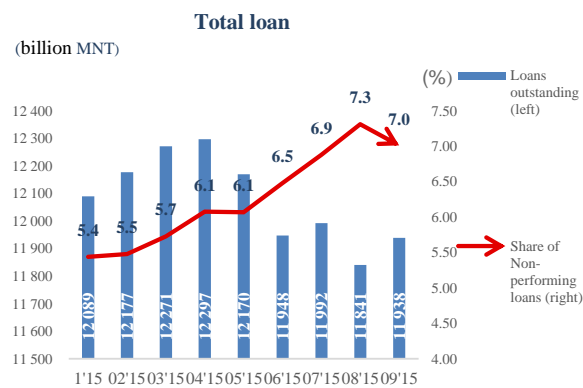
Deposits

Total deposits were MNT 7.3 trillion in September 2015, an increase of 60.6 billion or 0.8 percent from the previous month. This is an increase of 253.3 billion or 4.4 percent from the same period last year. Savings from the previous month increased by MNT 108 billion or 2.1 percent in local currency deposits where as foreign currency deposits decreased by 2.2 percent or 47.4 billion.



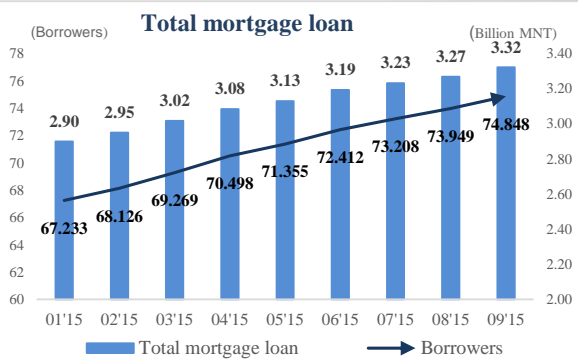
Loans

Total loans outstanding for businesses and individuals were MNT 11.9 trillion as of September 2015, which was an increase of 98 billion or 0.8 percent from the previous month and a decrease of 673 billion, or 5.3% compared to the previous year. Non-performing loans amounted to 837 billion. A 3.3% (29 billion) decrease from the previous month and increased by 41.7% (246 billion) the same period of the last year. Share of non-performing loans has made up 7.1% of the total loans.



Mortgages

As of September 2015, total value of outstanding mortgage loans rose by 1.6 percent (52.5 billion) from the previous month and increase by 26.7 percent (700 billion) from the same period of the previous year, and reached at MNT 3.3 trillion. In September, MNT 52 billion mortgage loan was granted to 899 applicants and the total number of borrowers reached 78848. The ratio of mortgage loans between MNT and foreign currency is presently 98.4/1.6% in favor of domestic currency, and the total market share of non-performing mortgage loans is reached 0.6 percent.

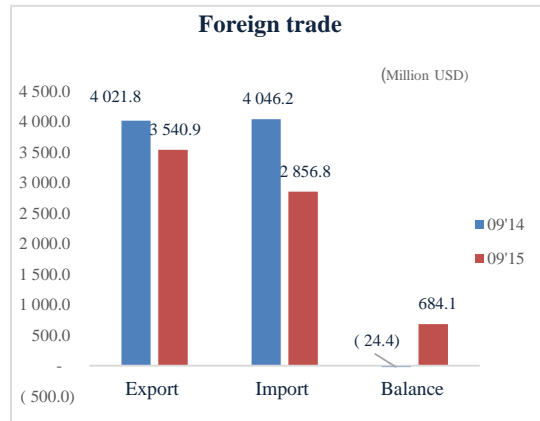


* Source Bank of Mongolia

Foreign Trade

Foreign Trade

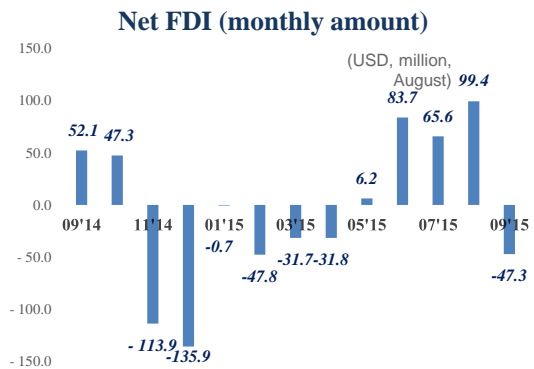
In September 2015, total trade turnover reached USD 6.4 billion, of which export totaled USD 3540.9 million and import amounted USD 2856.8 million resulting in foreign trade surplus of 684.1 million. Compared to the previous year, total turnover decreased by USD 1165.9 or 29 percent, imports and exports decreased by US \$ 1165.9 million or 29% and USD 480.4 million or 12 percent, respectively. The decrease in export was attributable to mineral products exports and non-woven product. And decrease in imports was mainly due to import of mineral products USD 371.7 million and auto, air and water transport decreased by \$ 218.9 million.



* Source NSC, BOM

Foreign direct investment

Net Foreign Direct Investment inflows in August amounted to USD -47.3 million. This is a decrease by USD 52.1 million from the previous month, and decrease by USD 99.4 million compared to the same period of the previous year. The fall is attributable to significant loan repayments made by foreign investment holding companies in 2015.



* Source NSO, BOM

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Highlights of the month

- 09.08-09** Frontier's 9th annual "Invest Mongolia 2015" conference was held on September 8-9, 2015 in Ulaanbaatar. During the event, current Mongolian economic situation, legal framework, fiscal and regulatory policy changes, "OT" and "TT" projects, and infrastructure development sectors were discussed.
- 09.11** The Prime Minister of Mongolia, Ch.Saikhanbileg is attended the Summer Davos Meeting in Dalian city of China on September 9-11, 2015. During the Summer Davos Forum in China, around 160 sessions were held on topics such as science, information technology development, its influence to the economy and society, world economy situation, depletion of natural resources, growth of the Chinese economy.
- 09.16-19** Autumn session of the Organization for Security and Cooperation in Europe's (OSCE) Parliamentary Assembly kicked off in the State House with 300 delegates from 47 countries who are representatives of the legislative bodies of the OSCE Participating States and international organizations.
- 09.25-26** Daylight saving time in Mongolia officially ended the 00.00 am on September 26.
- 09.29** Irregular session of State Great Khural adopted Veto of President Ts.Elbegdorj on Law of Pardon. After the adoption, which ended with 83.1% of the vote, relevant working group was established to work on draft amendments to the Law of Pardon in accordance with the presidential veto. Presidential veto excludes cases of corruption, abuse of authority, illegal capital acquirement and fraud from the law of Pardon.

Overview

Six new ministers are appointed. Ts.Oyunbaatar as Deputy Prime Minister; G.Bayarsaikhan as Minister of Labor; B.Bolor as Minister of Finance; M.Zorigt as Minister of Road and Transportation; Z.Bayanselenge as Minister of Construction and Urban Development as well as N.Battsereg as Minister of Environment, Green Development and Tourism.

The on-going negotiations regarding Tavan Tolgoi (TT) were presented and discussed during the regular session of the State Great Khural (Consortium comprised of China's Shenhua Energy Co.Ltd, Japan's Sumitomo Corporation, Mongolia's Energy resources LLC is selected to jointly construct railroad). Under the previous agreement with the partnership, Chinese Shenhua Energy group would build the railroad under PPP agreement for 30 years under Build-Operate-Transfer (BoD) terms. During a recent working group meeting, Mongolian Railway, state owned company was set to own 51%, preliminarily. This would aid the Mongolian side to own and use operate the railroad in more favorable ways in the future.