

MONGOLIA: MONTHLY MACROECONOMIC OVERVIEW

October 2015

Indicators:

<p>GDP growth 2.5% Q3 2015 (Y-o-Y)</p>	<p>FDI reached -42.4 million dollars (in September 2015)</p>	<p>Budget deficit MNT -915.3 billion</p>	<p>Inflation 3.4%</p>	<p>Non-performing loans increased by MNT 855 billion</p>	<p>USD 1.5 billion in BoM foreign currency reserves in September</p>
<p>* 9.2% growth in agriculture, * 12.1% growth in industry and construction sector * 3% growth in services sector.</p>	<p>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.</p>	<p>MNT 4.04 trillion in revenue and MNT 4.91 trillion in expenditure and a balance deficit of MNT -867.3 billion</p>	<p>Inflation decreased by 0.8 percent compared to the previous month, and increased by 6.6 percent beginning of the year and by 4.9 percent year to date.</p>	<p>Non-performing loans decreased by MNT 29 billion or 3.3% compared to the previous month, reaching a total of MNT 836.8 billion.</p>	<p>Increased by USD 145 million or 10.3 percent compared to the previous month. The amount of foreign currency reserves reached USD 1.5 billion</p>



Average USD/MNT nominal exchange rate
1993.35



Housing price index

1.071

decreased by 2.1% compared to the previous month and by 8.1% y.o.y respectively.



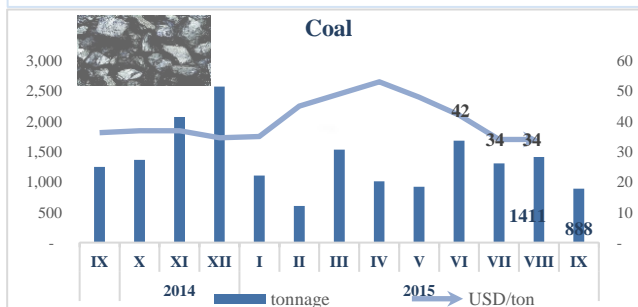
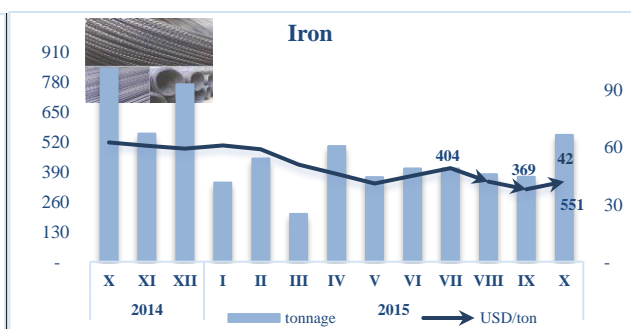
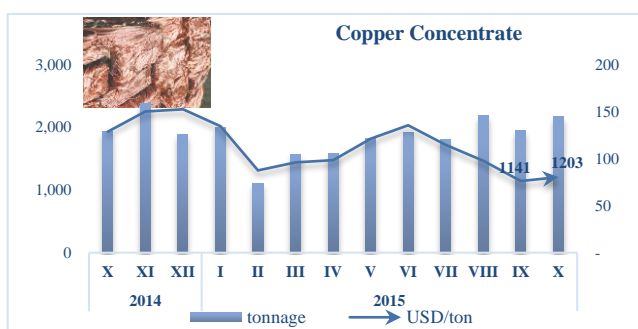
BoM policy rate
13%



President of the Federal Republic of Germany Joachim Gauck arrived in Mongolia for a state visit at the invitation of President of Mongolia Ts.Elbegdorj.

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	20,574	1,880,396	18,194	1,116,153	1,106	850,615
Iron ore	6,415	532,509	6,725	654,333	8,338	448,378
Copper	575	838,780	650	948,951	1,378	2,575,636
Total	27,564	3,251,685	25,569	2,719,437	10,822	3,874,629

Source: National Statistical Office

As part of a campaign to cut expenses and reduce budget gap, all Deputy ministers were dismissed.

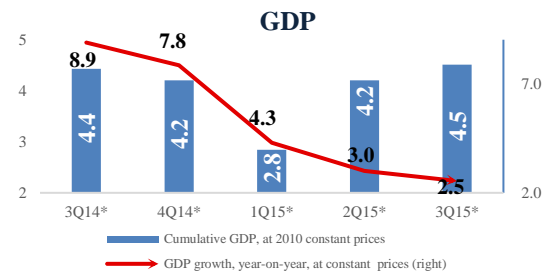
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Macroeconomic Indicators

October 2015

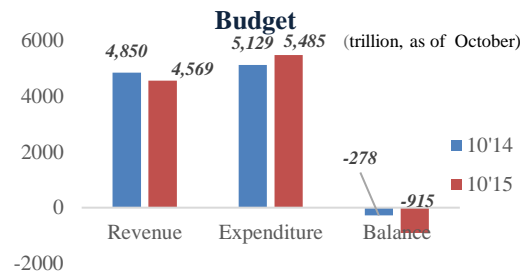
GDP

Cumulative GDP at constant prices (in the third quarter of 2015) totalled MNT 11 trillion: It is 286.4 billion or 2.5 percent increase compared to that of the same period of the previous year. This comprised of increase in the agricultural sector by 12.8 percent and the services sector by 6.2 percent.



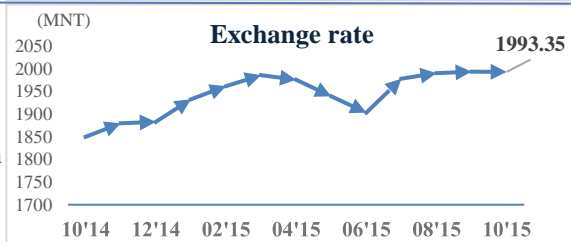
Budget

Cumulative state budget revenue (including aid) totalled MNT 4.56 trillion in October, while expenditure and net lending amounted to MNT 5.48 trillion. This resulted in general government deficit of 915.3 billion. This is a change of MNT 636.8 billion from the same period of the previous year caused by the increase of 12.7 percentage higher than income growth.



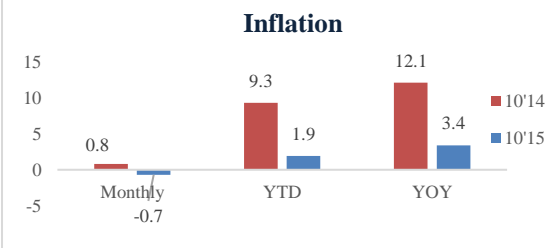
Exchange rate

In October, Mongolian tugrik appreciated in the forex market, the average nominal exchange rate against US dollar was MNT 1993.35. This is a 0.2 percent or MNT -0.44 increase from previous month and 7.8% or MNT 143.41 increase from the same period of the previous year.



Inflation

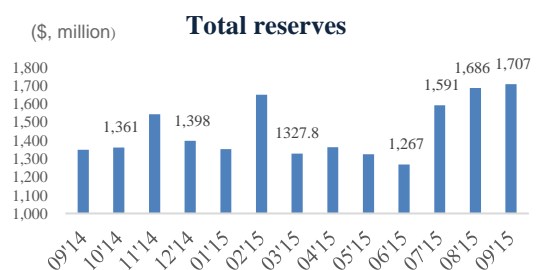
In October 2015, Consumer Price Index decreased by 0.7 percent from the previous month, and rose by 3.4% compared to the same period of the previous year. A decrease of 3.3% during the previous month was mainly due to food and non-alcoholic beverages.



* Preliminary results, Source NSO, BoM

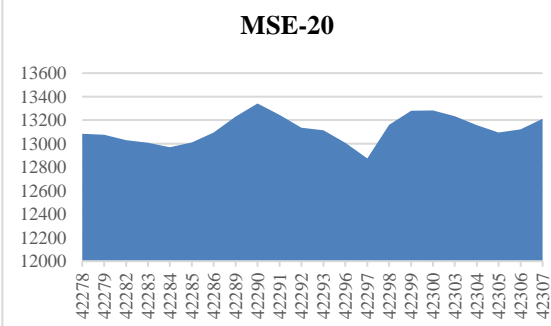
Foreign exchange reserves

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 fall of 6.5%, or \$ 107 million compared to the period of beginning of the year.



MSE-20 index

Total value of securities traded in October were MNT 796.8 billion, with over 28.1 million transactions. This is a 657.8 billion, or 5.7 fold increase. Traded securities decreased by 13.6 million or 32.6 percent compared to the same period of the previous year. The Top-20 index in October 2015 was 13,126 a decrease by 84.4 and 2495.3 points from the previous month and same period of the previous year, respectively.



* Mongolia Stock Exchange

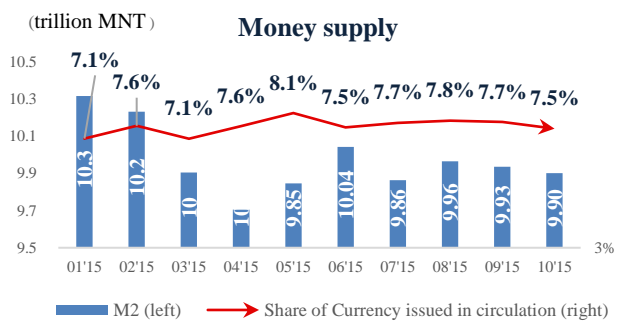
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The financial sector

October 2015

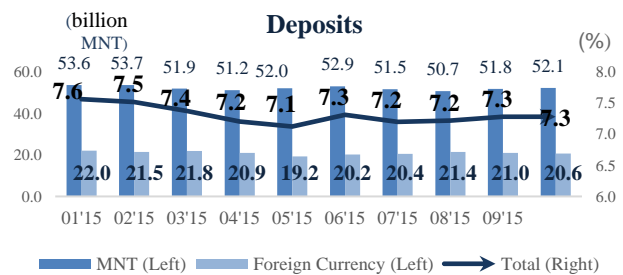
Money

M2 Money supply at the end of October 2015 totalled MNT 9.9 trillion, a decrease of 34 billion or 0.3%, from the previous month and a decreased by 72 billion or 0.7 percent from the same period of the previous year. In October, cash flows reached 739.7 billion. It is a decrease by 28.1 billion or 3.8% over the previous month and a decrease by 70 billion or 8.6% from the same period previous year, respectively.



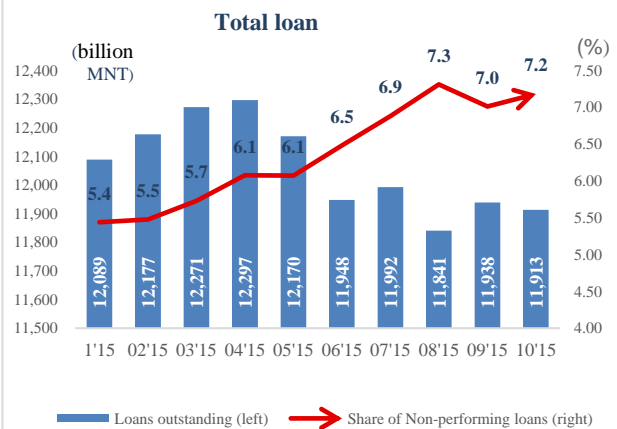
Deposits

Total deposits were MNT 7.3 trillion in October 2015, an increase of 1.52 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 while foreign currency deposits decreased by 2.2 percent or 47.4 billion.



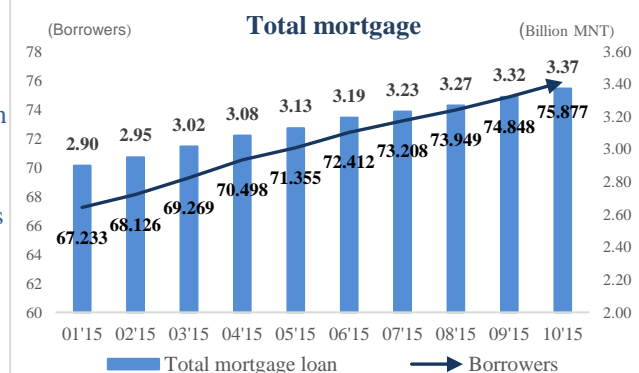
Loans

Total loans outstandings for businesses and individuals were MNT 11.9 trillion as of October 2015, which was a decrease of 25 billion or 0.2 percent from the previous month and a decrease of 920 billion, or 7.2% compared to the previous year. Non-performing loans amounted to 855 billion. It is a 2.2% (19 billion) increase from the previous month and increased by 41.1% (249 billion) compared to the same period of the last year. Share of non-performing loans has made up 7.2% of the total loans.



Mortgages

As of October 2015, total value of outstanding mortgage rose by 1.5 percent (50.8 billion) from the previous month and increased by 24.7 percent (666.7 billion) from the same period of the previous year (MNT 3.3 trillion). In October, MNT 50.8 billion mortgage loan was granted to 1029 applicants and the total number of borrowers reached 75877. 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 0.7 percent.



* Source Bank of Mongolia

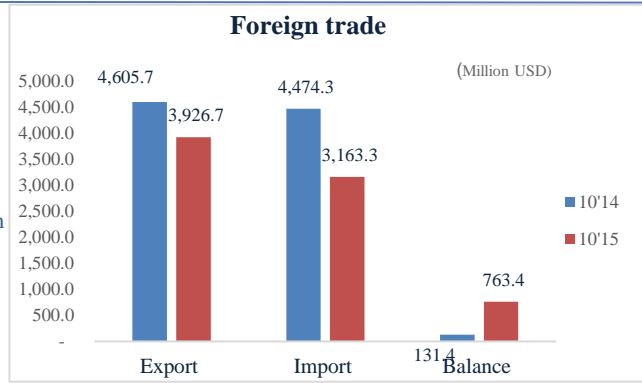
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September 2015

Foreign Trade

Foreign Trade

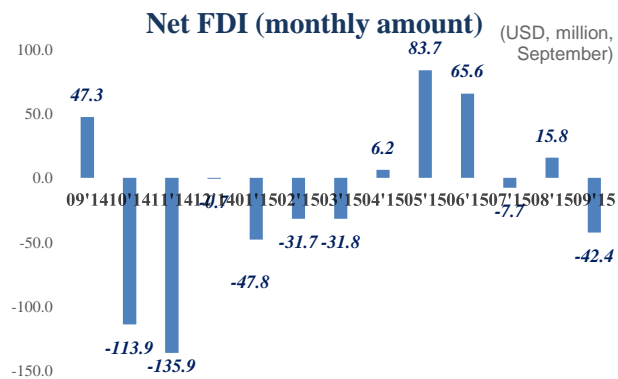
In October 2015, total trade turnover reached USD 7 billion, of which exports totalled USD 3926.4 million and imports amounted USD 3163.3 million resulting in foreign trade surplus of 763.4 million. Compared to the previous year, total turnover decreased by USD 1990 or 21.9 percent, imports and exports decreased by US \$ 679 million or 14.7 % and USD 1311 million or 29.3 percent, respectively. The decrease in export was attributable to mineral products exports and non-woven product. The decrease in imports was mainly due to import of mineral products and auto, air, water transport, electrical appliances and spare parts.



* Source NSC, BOM

Foreign direct investment

Net Foreign Direct Investment inflows in September amounted to USD -42.4 million. This is a decrease by USD 89.7 million compared to the same period of the previous year. Investments outflow was equated to USD 0.1 million, while investment inflows amounted to USD -26.6 million.

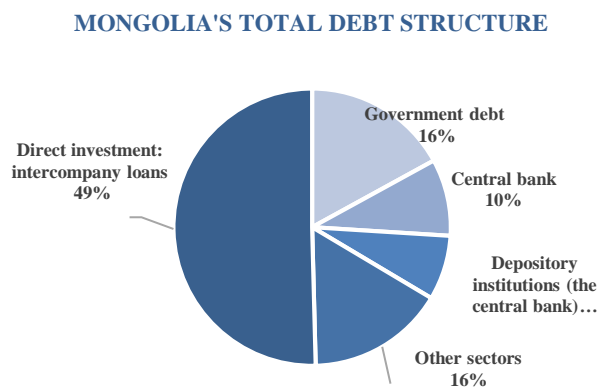
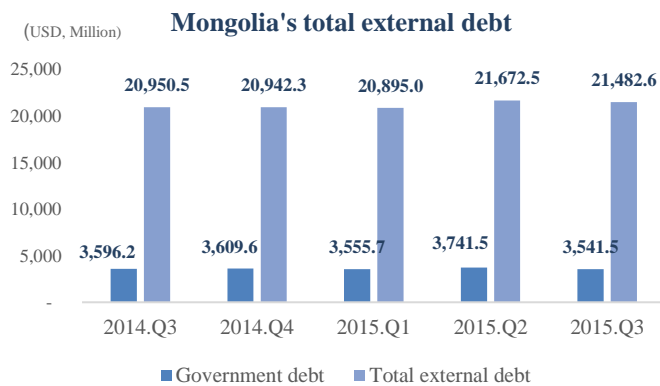


* Source NSO, BOM

Mongolia's foreign debts

External debt

Mongolia's total public foreign debt is equalled USD 3.5 billion (In the third quarter of 2015). Mongolia's total external debt outstanding is USD 20.9 billion. Of the total debt, 16 percent is to the Government, 10 percent to the Central Bank, 9 percent to depository institutions, 16 percent to other sectors, and 49 per cent to inter-company loans.



*Source Bank of Mongolia

MONGOLIA: MONTHLY MACROECONOMIC OVERVIEW***Highlights of the month***

- 10.16** The Ministry of Industry organized Mongolia's first industrial forum, "Made in Mongolia", on October 16 at Shangri-La Hotel. Mongolia's first industrial forum was attended by over 500 guests and representatives. Attendees included representatives from businesses, governmental organizations, foreign delegates, manufacturers, banks and financial institutions. The Ministry of Industry plans to regularly organize the forum every two years.
- 10.22** Prime Minister of Japan Mr. Shinzo Abe paid a working visit to Mongolia at the invitation of the President of Mongolia Mr. Elbegdorj (on 22nd of October, 2015). In scope of Japanese Prime Minister's visit, the Minister of Foreign Affairs Mr. L. Purevsuren and Japanese Ambassador to Mongolia Mr. T. Shimizu have signed an intergovernmental Memorandum on a cooperating in joint project on constructing eastern branch railway in Tavan Tolgoi and related infrastructures.
- 10.22** Auction for three years maturity Government Bond was announced at a face value of 10 billion MNT and each unit was worth one million MNT. Face value of 5.0 billion /out of 5.0 billion bid/ Government Treasury bill was sold to the banks with weighted average yield of 15.800 percent, reports the Bank of Mongolia.

Overview

OT production for the third quarter of 2015

OT produced 56 thousand tons of copper concentrate and 123 thousand ounces of gold ore, and 388 thousand ounces of silver concentrate (third quarter of 2015). But rose by 1.3 percent because of increased copper content in the ore. Gold in concentrates for the quarter decreased 48.5 percent over Q2'15 due to slower than anticipated access to gold-rich ore. Third quarter 2015, mined production increased 8.5 per cent over Q2'15 due to shorter hauling routes and ongoing productivity initiatives. Following the filing of revised schedules for the 2015 Oyu Tolgoi Feasibility Study with the Mongolian Minerals Council in August, pre-start activities are underway in parallel with an update to the capital estimate, which is expected to be completed in the first quarter of 2016. The Company continues to expect signing of project financing by the end of 2015 and the decision for underground construction in the beginning of second quarter of 2016.

German president Mr. Joachim Gauck in Mongolia for state visit

By the invitation of president Ts. Elbegdorj, the President of the Federal Republic of Germany Mr. Joachim Gauck visited Mongolia during October 14-16, 2015. During the visit, two sides signed agreements to expand the Mongolia-Germany partnership in the scientific field along with a Memorandum of Understanding to cooperate in the mineral resources and industrial sector, which was signed between private sector representatives of the two countries.