



**MONGOLIA: MONTHLY MACROECONOMIC
OVERVIEW**

February 2016

Indicators:

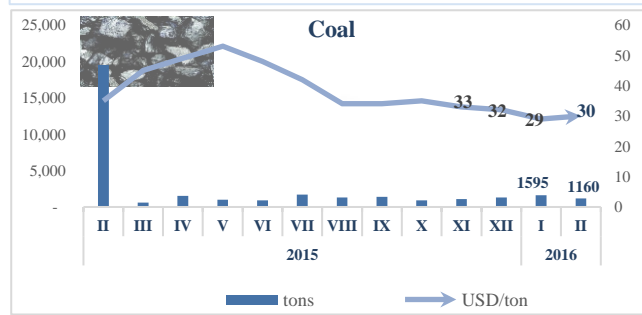
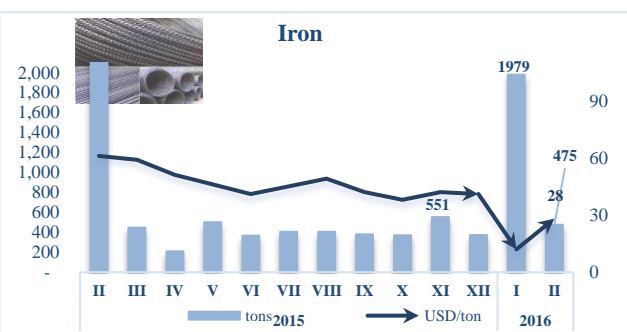
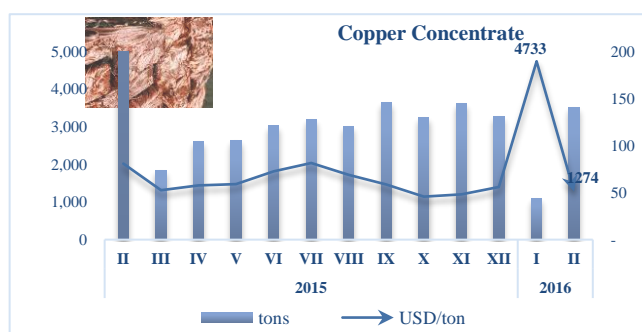
GDP growth of 2.3% Q4 2015 (Y-o-Y)	FDI reached 26.5 million US dollars (in January 2016)	Budget deficit MNT -258 billion	Inflation 2%	Non-performing loans increased by MNT 889 billion	USD 1.3 billion in BoM foreign currency reserves in January
9.1% growth in industry and services sector.	Net FDI increased by USD 74.3 million compared to the same period of previous year, and decreased by USD 42.8 million compared to the previous month.	MNT 709 billion in revenue and MNT 967 billion in expenditure and a balance deficit of MNT -258 billion	Increase of 0.7 percent from the previous month, and 2% compared to the same period of the previous year.	Non-performing loans increased by MNT 5 billion or 0.5% compared to the previous month reaching a total MNT 889 billion.	Decreased by USD 4 million or 0.3 percent compared to the same period of the previous year. The amount of foreign currency reserve reached USD 1.3 billion

 Average USD/MNT nominal exchange rate 2032.47 ₮	 Housing price index 1.055 decreased by 0.1% compared to the previous month and decreased by 10% y.o.y	 BoM policy rate 12%
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 Mongolians celebrated the traditional holiday Tsagaan sar on February 9-12, 2016 which marks the year of the Monkey.

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	2013		2014		2015	
	Tons	USD	Tons	USD	Tons	USD
Coal	18,194	1,116,153	19,482	850,615	14,426	555,027
Iron ore	6725	654,333	8,338	448,378	6,325	227,200
Copper	650	948,951	1,378	2,575,636	1,379	2,280,135
Total	25,569	2,719,437	29,198	3,874,629	22,130	3,062,362

Source: National Registration and Statistics Office

Macroeconomic Indicators

February 2016

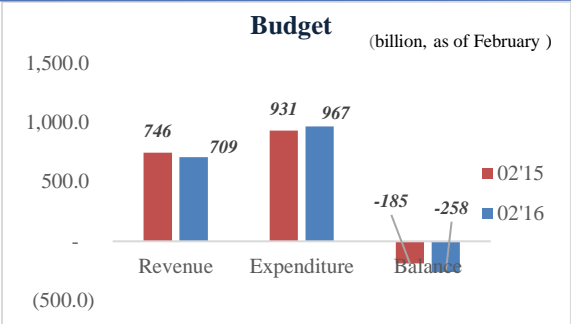
GDP

Cumulative GDP at constant prices in the fourth quarter of 2015 reached MNT 15 trillion an increase of MNT 461.8 billion or 2.3 percent compared to the increase in the same period of the previous year. This was mainly due to an increase in the agricultural and services sector.



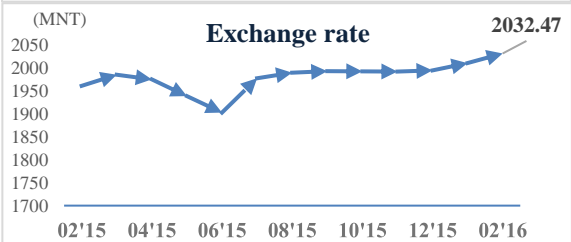
Budget

Cumulative state budget revenue (including aid) totalled MNT 709 billion in February, while expenditure and net lending amounted to MNT 967 billion. This resulted in general government deficit of 258 billion. This increase was mainly due to increases of MNT 86.5 billion or 11 percent in current expenditure, by MNT 20.2 billion or 6.1 percent in current transfers although there was decreases of MNT 73.2 billion or 45.1 percent in capital expenditure compared to same period of the previous year.



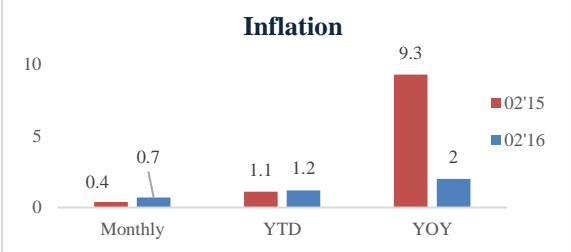
Exchange rate

In February, Mongolian MNT further depreciated against the USD, the average nominal exchange rate against US dollar was MNT 2032.47. This is a 3.6 percent or MNT 70.7 increase from the same period of the previous year; 21 percent or MNT 1 increase from the previous month.



Inflation

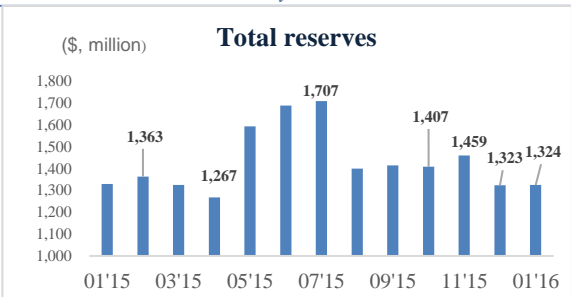
In February 2016, Consumer Price Index increased by 0.7 percent from the previous month, and rose by 2% compared to the same period of the previous year. An increase as 2.0 percent was mainly due to increases of 23.1 percent in education, 4.7 percent in clothing, footwear and cloth, 4.5 percent in furnishings, household equipment.



* Preliminary results, Source NRSO, BoM

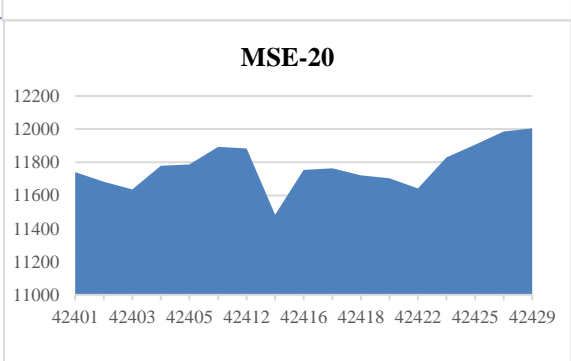
Foreign exchange reserves

As of January 2016, foreign exchange reserves equilled USD 1324 million. This is equivalent to the previous month and a decrease of 0.3% or USD 4 million compared to the same period of the previous year.



MSE-20 index

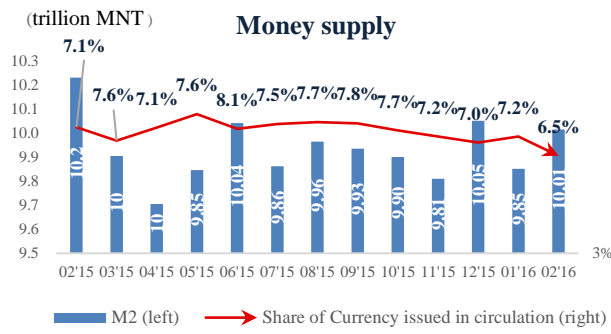
In February 2016, 35.6 million shares valued at MNT 51.5 were traded in the stock market. The total turnover of stocks was decreased by MNT 60.1 billion or 53.8 percent and securities traded increased by 22.7 million shares or 2.8 times more compared to the same period of previous year. The Top-20 index in February was 11794, a decrease of 364 points and 2209 points from the previous month and same period of the previous year, respectively.



* Mongolia Stock Exchange

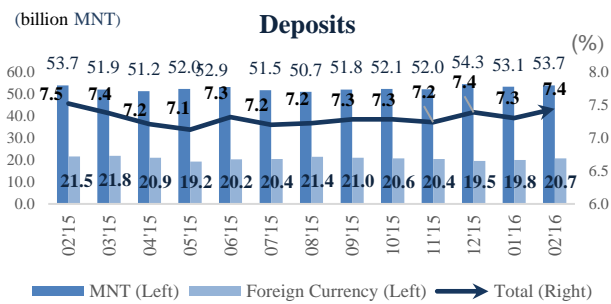
Money

M2 Money supply at the end of February 2016 totalled MNT 10 trillion, an increase of 164.1 billion or 1.6%, from the previous month and decreased by 215 billion or 2.1 percent from the same period of the previous year. In February, cash flows reached 655.5 billion. It is a decrease of MNT 58 billion or 8.8% over the previous month and a decrease of MNT 120.3 billion or 15.5% from the same period of the previous year, respectively.



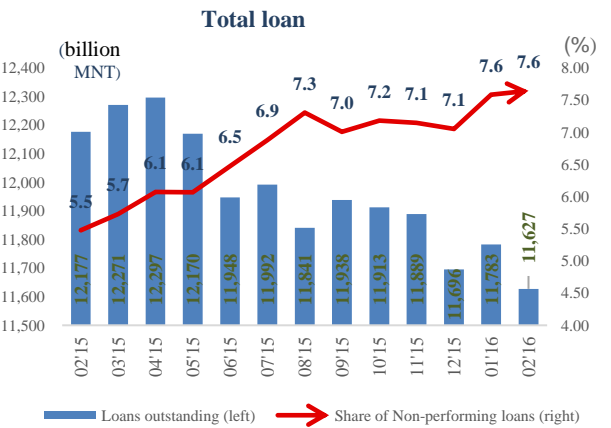
Deposits

Total deposits were MNT 7.4 trillion in February 2016, an increase of 140 billion or 1.1 percent from the previous month. This is a decrease of MNT 77.9 billion or 1 percent from the same period last year. Savings in local currency increased by MNT 57.9 billion or 1.1 percent where as a foreign currency deposits increased by 4.1 percent or MNT 82.2 billion.



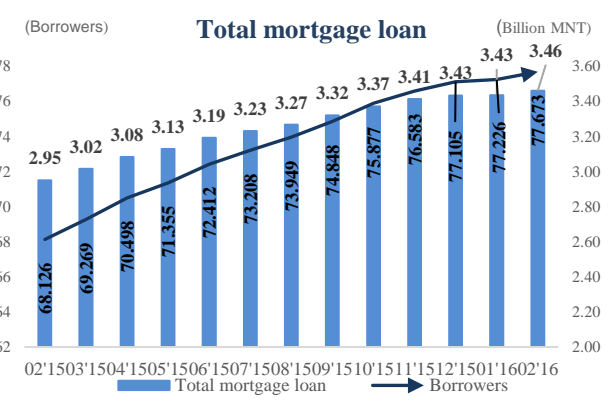
Loans

Total loans outstanding for businesses and individuals were MNT 11.6 trillion as of February 2016, which was a decrease of MNT 156 billion or 1.3 percent from the previous month and a decrease of 550 billion, or 4.5% compared to the previous year. Non-performing loans amounted to MNT 889 billion, an 0.5% (5 billion) increase from the previous month and increased by 33.3% (MNT 222 billion) the same period of the last year. Share of non-performing loans has made up 7.6% of the total loans.



Mortgage

As of February 2016, total value of outstanding mortgage loans rose by 0.7 percent (MNT 24.7 billion) from the previous month and increased by 17.3 percent (MNT 510 billion) from the same period of the previous year, reaching MNT 3.4 trillion. In February, MNT 1.9 billion mortgage loan was granted to 447 applicants and the total number of borrowers reached 77673. The ratio of mortgage loans between MNT and foreign currency is presently 98.7/1.3% in favor of domestic currency, and the total market share of non-performing mortgage loans reached 0.8 percent.

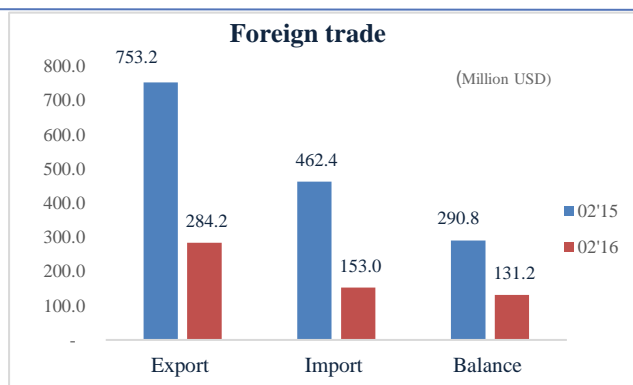


* Source Bank of Mongolia

Foreign Trade

Foreign Trade

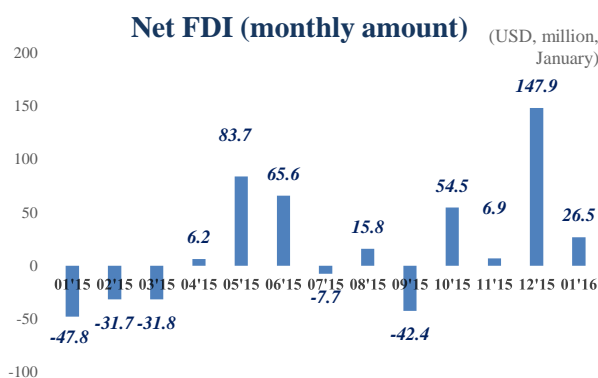
In February 2016, total trade turnover reached USD 437.1 million, of which export totalled USD 284.2 million and import amounted to USD 153 million resulting in foreign trade surplus of USD 131.2 million. Compared to the previous year, total turnover decreased by USD 778.5 or 64 percent, imports and exports decreased by USD 469 million or 62.3 % and USD 309.4 million or 66.9 percent, respectively.



* Source NRSO, BOM

Foreign direct investment

Net Foreign Direct Investment inflows in January 2016 amounted to USD 26.5 million. This is an increase by USD 74.3 million compared to the same period of the previous year a decrease of USD 42.8 million from the previous month. Investments outflow was equated to USD -0.2 million, while investment inflows amounted to USD 26.7 million.

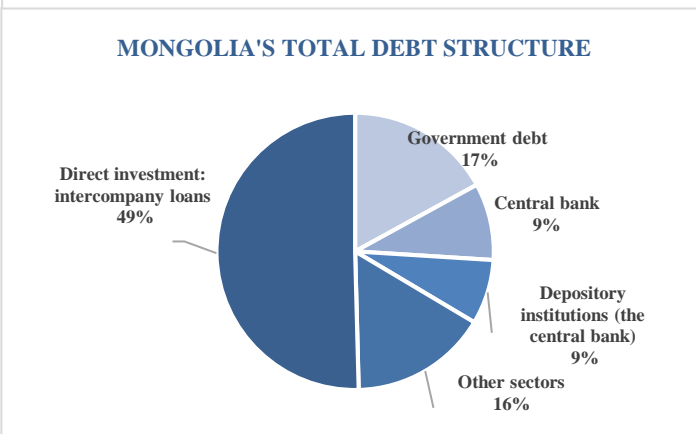
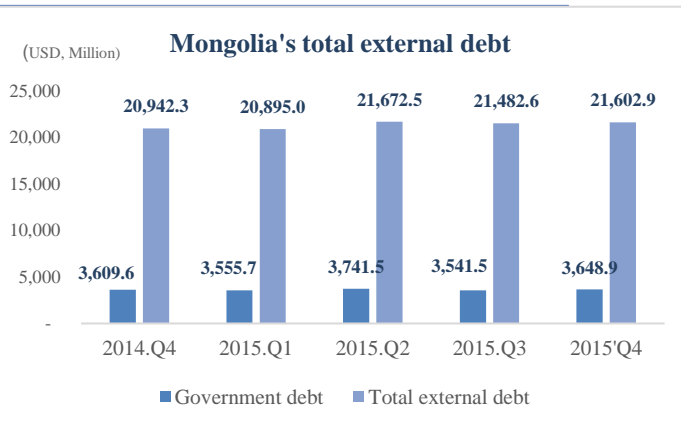


* Source NRSO, BOM

Mongolia's foreign debts

External debt

In the fourth quarter of 2015, Mongolia's total public foreign debt stood at USD 3.6 billion. Mongolia's total external debt outstanding is USD 21.6 billion. Government debt decreased by 3 percent compared to the previous quarter (120 million dollars), total external debt decreased by 0.5 percent from the previous quarter (190 million). Of the total debt, 17 percent of the total debt is attributable to the Government, 9 percent to the Central Bank, 9 percent to depository institutions, 16 percent to other sectors, and 49 percent to inter-company loans. 96% of the total debt from the Central Bank is short-term, while long-term liabilities account for 4 percent of the total debt.



*Source Bank of Mongolia

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

External debt and credit ratings

Credit ratings

	S&P		Fitch	
Mongolian	B	Stable	B	Negative
Date	2015.11.05		2013.12.13	

Standard & Poor's downgraded Mongolia's sovereign rating from +B grade from B grade in November 2015. The main reasons behind the downgrades could be concluded in relation with non-investment, a risky economy and an unstable market. Country's economy is dependent on mining sector which is a non-manufacturing sector. It causes a financial market instability in the economy, which was the main reason of being listed among risky countries.

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 July 17, 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.

Highlights of the month

- 02.16** Ministry of Mining of Mongolia and New Energy and Industrial Technology Development Organization of Japan signed a Memorandum of Understanding on launching the implementation of cement dry-processing plant pilot project.
- 02.18** The Ministry of Mining has organized the annual "Mineral Resources 2025" discussion.
- 02.18** A project will be realized to renovate= Ulaanbaatar city's №4 thermal power plant with a financing of JPY 4.2 billion from the Japan International Cooperation Agency (JICA) with an aim to reduce greenhouse gas emission from the plant. A contract on the power plant's renovation was signed on Thursday by D.Zorigt, the Minister of Energy; and Takenori Shimizu, the Ambassador Extraordinary and Plenipotentiary of Japan to Mongolia.
- 02.25-26** The third annual Mongolian Television Forum (MTF) was held at The Tuushin Best Western Hotel in Ulaanbaatar on Feb 25 and 26, 2015. This year the forum is aimed at the Mongolian Television Industry member of the Association of Broadcasters in Mongolia in order to continue to encourage the development of the best practices in working within the global television landscape by reducing piracy, buying programs and creating their own intellectual property.

Overview

19 cultural events planned in 2016 under "Friendly Ulaanbaatar" program

Within the framework of the Friendly Ulaanbaatar Program 2016, 19 entertainment events are scheduled to take place in Ulaanbaatar. Deputy Mayor Ts.Enkhtsengel, Head of the Ulaanbaatar Arts and Culture Department B.Battsengel and CEO of the Mongolian State Academic Theater of Opera and Ballet Ch.Munkhzul held a conference about the events. In 2015, Ulaanbaatar hosted 15 entertainment events with participation of 500 backstage staff and 1.500 artist, which were viewed by more than 460.000 people.

State Rental Apartment Program to be Launched

The Government has announced that the "Rental Apartments" program will be launched shortly. People, who wish to rent these apartments, must provide three month prepayment to the State Apartment Corporation. The apartment rental prices under these programme: in Ulaanbaatar is MNT 200,000-280,000 and MNT 140,000-230,000 in the provinces.

