

**MONGOLIA: MONTHLY MACROECONOMIC  
OVERVIEW**

January 2016

**Indicators:**

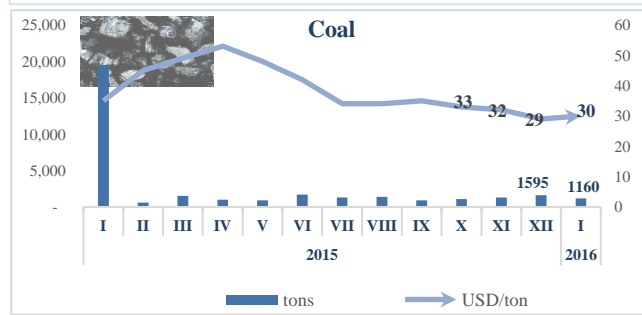
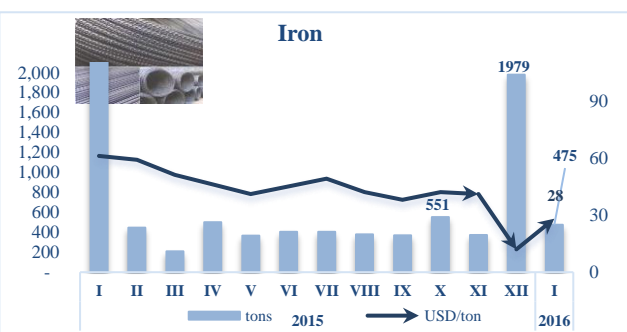
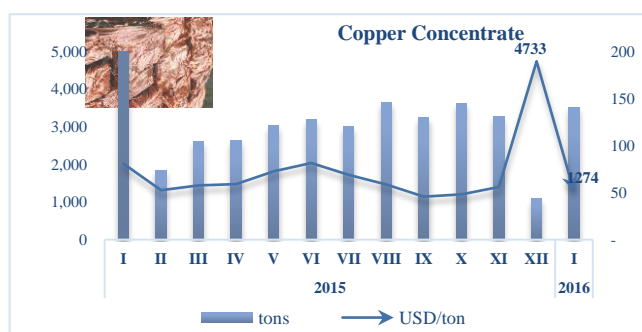
GDP growth of <b>2.3%</b> Q4 2015 (Y-o-Y)	FDI reached <b>147.9 million US dollars</b> (in December 2015)	Budget deficit <b>MNT -79.7 billion</b>	Inflation <b>1.7%</b>	Non-performing loans increased by <b>MNT 894 billion</b>	<b>USD 1.3 billion</b> in BoM foreign currency reserves in December
9.1% growth in industry and services sector.	Net FDI increased by USD 148.6 million compared to the same period of previous year, and by USD 141 million compared to the previous month.	MNT 335.2 billion in revenue and MNT 415 billion in expenditure and a balance deficit of MNT -79.7 billion	Increase of 0.5 percent from the previous month, and 1.7% compared to the same period of the previous year.	Non-performing loans increased by MNT 69 billion or 8.4% compared to the previous month reaching a total MNT 894 billion.	Decreased by USD 136 million or 9.29 percent compared to the previous month. The amount of foreign currency reserve reached USD 1.3 billion

 Average USD/MNT nominal exchange rate <b>2011.38 ₮</b>	 Housing price index <b>1.057</b> increased by 0.1% compared to the previous month and decreased by 10.3% y.o.y	 BoM policy rate <b>12%</b>
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 At the invitation of the Prime Minister of Mongolia H.E. Mr.Saikhanbileg Chimed, the Prime Minister of Hungary H.E. Mr. Viktor Orbán paid an official visit to Mongolia on January 25-28, 2016.

**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
<b>Total</b>	<b>25,569</b>	<b>2,719,437</b>	<b>29,198</b>	<b>3,874,629</b>	<b>22,130</b>	<b>3,062,362</b>

Source: National Registration and Statistics Office

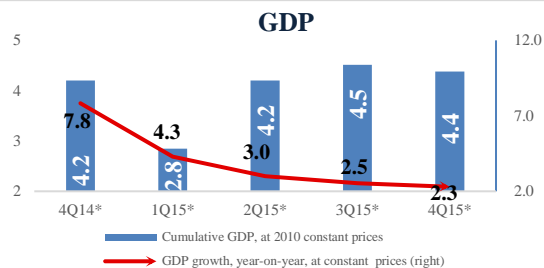
Retail gasoline prices in Ulaanbaatar city dropped by MNT 80-150 starting Jan 21st as reported by the Ministry of Mining.

## Macroeconomic Indicators

January 2016

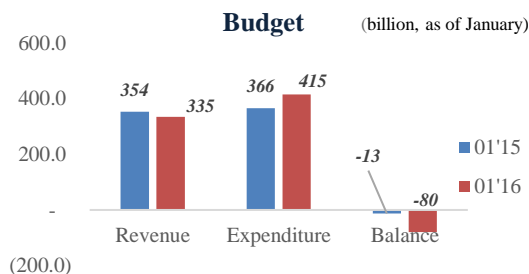
### GDP

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 the agricultural and services sector.



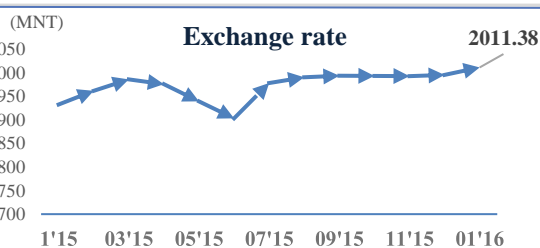
### Budget

Cumulative state budget revenue (including aid) totalled MNT 335.3 billion in January, while expenditure and net lending amounted to MNT 415 billion. This resulted in general government deficit of 79.7 billion. Deficit increased by MNT 67 billion from the same period of the previous year caused by the increase of 5.2 percentage higher than income growth.



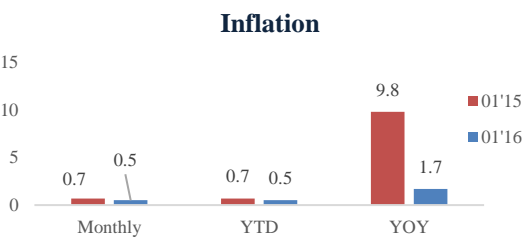
### Exchange rate

In January, the Mongolian MNT further depreciated against the USD, the average nominal exchange rate against US dollar was MNT 2011.38. This is a 4.1 percent or MNT 78.7 increase from the same period of the previous year; MNT 0.8 increase from the previous month.



### Inflation

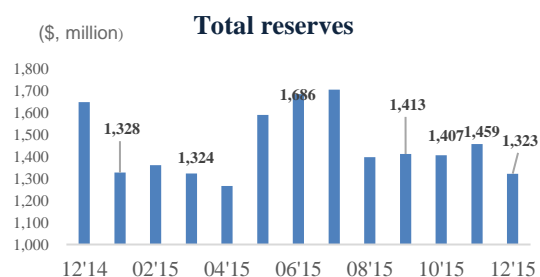
In January 2015, Consumer Price Index increased by 0.5 percent from the previous month, and rose by 1.7% compared to the same period of the previous year. An increase of 1.7 percent was mainly due to increases of 23.1 percent in education, 1.9 percent in housing, water, electricity and fuels.



\* Preliminary results, Source NRSO, BoM

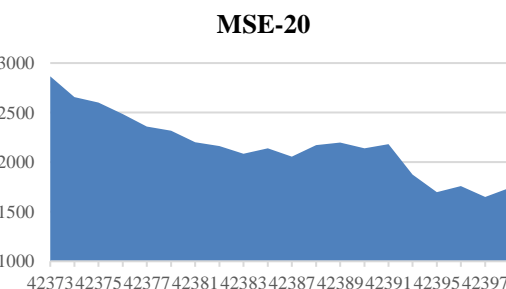
### Foreign exchange reserves

As of December 2015, foreign exchange reserves equilled USD 1.3 billion. This is a 9.2 percent, or USD 136 million decrease from the previous month and a decrease of 19.8% or USD 191 million compared to the same period of the previous year.



### MSE-20 index

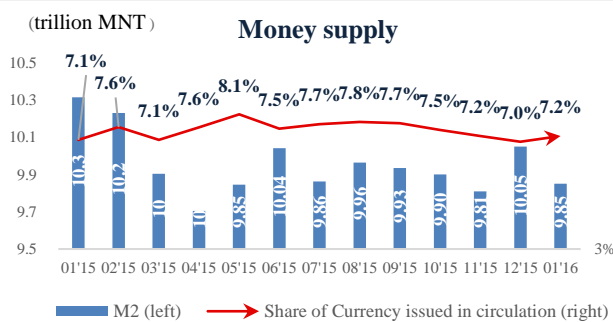
In January 2016, 34.6 million shares valued at MNT 32.1 billion were traded in the stock market. The securities trading was decreased by MNT 33.1 billion or 50.8 percent and shares increased by 28.9 million or 6 times more compared to the same period of previous year. The Top-20 index in January was 12158, a decrease of 121 points and 2359.2 points from the previous month and same period of the previous year, respectively.



\* Mongolia Stock Exchange

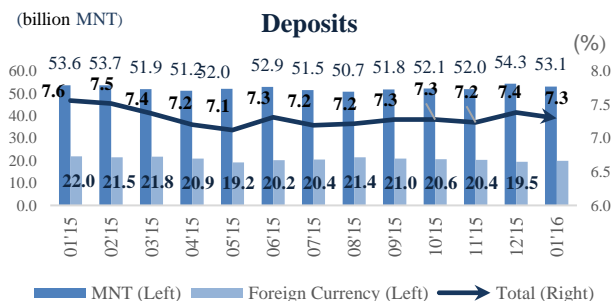
Money

M2 Money supply at the end of January 2016 totalled MNT 9.8 trillion, a decrease of 199.4 billion or 1.9%, from the previous month and decreased by 463.8 billion or 4.5 percent from the same period of the previous year. In January, cash flows reached 713.7 billion. It is a decrease of MNT 7.1 billion or 0.9% over the previous month and a decrease of MNT 18.6 billion or 2.5% from the same period of the previous year, respectively.



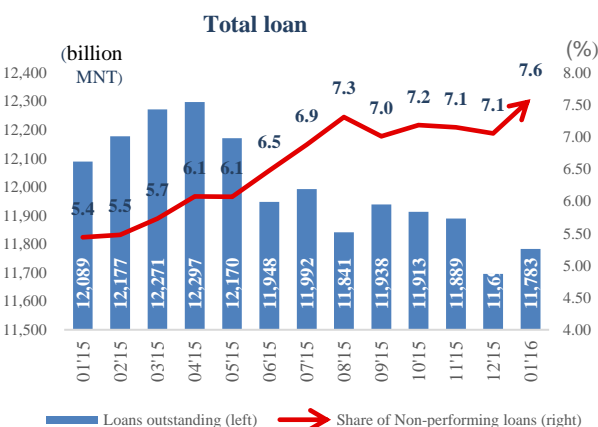
Deposits

Total deposits were MNT 7.2 trillion in January 2016, a decrease of 85.7 billion or 2.2 percent from the previous month. This is a decrease of 263 billion or 3.5 percent from the same period last year. Savings in local currency decreased by MNT 121.5 billion or 2.2 percent where as a foreign currency deposits increased by 1.8 percent or MNT 35.7 billion.



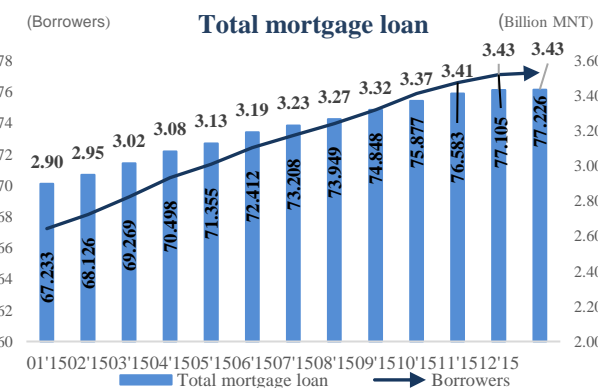
Loans

Total loans outstanding for businesses and individuals were MNT 11.7 trillion as of January 2016, which was an increase of 87 billion or 0.7 percent from the previous month and a decrease of 306 billion, or 2.5% compared to the previous year. Non-performing loans amounted to 894 billion, an 8.4% (69 billion) increase from the previous month and increased by 36% (237 billion) the same period of the last year. Share of non-performing loans has made up 7.4% of the total loans.



Mortgage

As of January 2016, total value of outstanding mortgage loans rose by 0.1 percent (1.9 billion) from the previous month and increased by 18.5 percent (536 billion) from the same period of the previous year, reaching MNT 3.4 trillion. In January, MNT 1.9 billion mortgage loan was granted to 121 applicants and the total number of borrowers reached 77226. 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 0.7 percent.

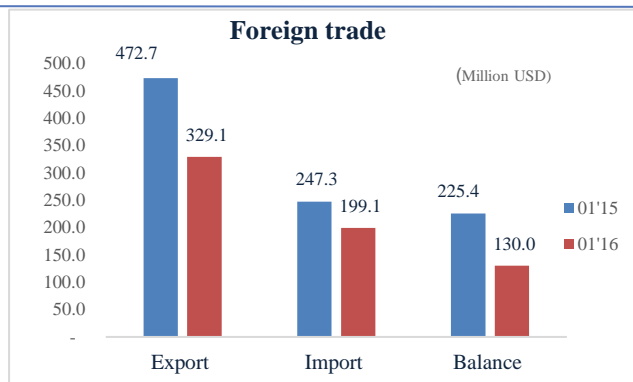


\* Source Bank of Mongolia

### Foreign Trade

**Foreign Trade**

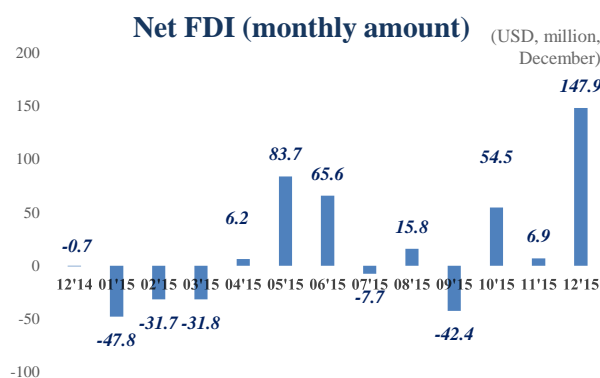
In January 2016, total trade turnover reached USD 5.8 million, of which export totalled USD 329.1 million and import amounted to USD 199.1 million resulting in foreign trade surplus of USD 130 million. Compared to the previous year, total turnover decreased by USD 191.7 or 26.6 percent, imports and exports decreased by USD 143.6 million or 30.3 % and USD 48.2 million or 19.4 percent, respectively. The decrease in export was attributable to mineral products exports.



\* Source NRSO, BOM

**Foreign direct investment**

Net Foreign Direct Investment inflows in December amounted to USD 147.9 million. This is an increase by USD 148.6 million compared to the same period of the previous year an increase of USD 141 million from the previous month. Investments outflow was equated to USD -6.4 million, while investment inflows amounted to USD 161.2 million.

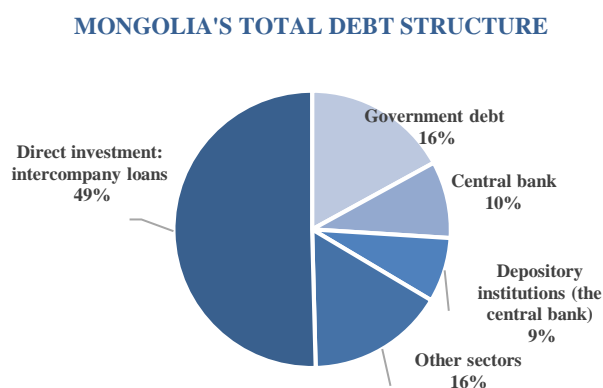


\* Source NRSO, BOM

### Mongolia's foreign debts

**External debt**

In the third quarter of 2015, Mongolia's total public foreign debt stood at USD 3.5 billion. Mongolia's total external debt outstanding is USD 21.4 billion. Government debt decreased by 5.3 percent compared to the previous quarter (199.9 million dollars), total external debt decreased by 0.8 percent from the previous quarter (190 million). Of the total debt, 16 percent of the total debt is attributable to the Government, 10 percent to the Central Bank, 9 percent to depository institutions, 16 percent to other sectors, and 49 percent to inter-company loans. 97% of the total debt from the Central Bank is short-term, while long-term liabilities account for 3 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	
<b>Mongolian</b>	<b>B</b>	<b>Stable</b>	<b>B</b>	<b>Negative</b>
<b>Date</b>	<b>2015.11.05</b>		<b>2013.12.13</b>	

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
<b>On December 4, 2005</b>	<b>B1</b>	<b>Stable</b>
<b>On June 10, 2009</b>	<b>B1</b>	<b>Negative</b>
<b>On October 30, 2009</b>	<b>B1</b>	<b>Stable</b>
<b>On May 26, 2014</b>	<b>B1</b>	<b>Negative</b>
<b>On July 17, 2014</b>	<b>B2</b>	<b>Negative</b>

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***

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- 01.04** During the first session of government 2016, A program called “Promoting Mongolia in Abroad” was approved.
- 01.14** City Service Center (CSC) was opened at Dunjingarav commercial center in order to improve of the quality of state services and an increase in their adequacy for people.
- 01.15** On January 15, First national forum themed “Development of Financial Market” launched in the government house. Co-organized by the Standing committee on economy, the Ministry of Finance, the Financial Regulatory Committee (FRC) and the Bank of Mongolia (BoM), the forum covered all issues of micro-finance, insurance, capital market, correlation of the financial sector, its stability, effects of economic growth, augmenting an adequacy, and improving the legal environment.
- 01.20** On January 20, Ulaanbaatar Mayor’s Office in cooperation with Ulaanbaatar Chamber of Commerce hosted "Ulaanbaatar Investment" forum for in the second year.
- 01.20-23** The President of Mongolia, H.E. Mr. Elbegdorj Tsakhia attended the 46th World Economic Forum Annual Meeting, which was held in Davos-Klosters, Switzerland, from 19th to 23rd January 2016.

### ***Overview***

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At the invitation of the Prime Minister of Mongolia H.E. Mr. Chimed Saikhanbileg, the Prime Minister of Hungary H.E. Mr. Viktor Orbán paid an official visit to Mongolia on January 25, 2016. This is the very first visit of the Hungarian side to Mongolia at a Prime Ministerial level. In frames of the visit, the two PMs held tête-à-tête meeting and expanded talks. Orban held talks with his Mongolian counterpart to discuss cooperation opportunities, and called on President Ts.Elbegdorj and Speaker of Parliament Z.Enkhbold. During the Hungarian Premier’s visit, Hungarian and Mongolian officials also signed an agreement on the opening of a 25 million USD credit line from Hungarian Export Import Bank to finance the restoration of Biocombinat, Mongolia’s largest biotechnology firm producing veterinary vaccines. As of today, 100 students are studying in Hungary on scholarship, and the number of new scholarships for Mongolian students can reach 200,” the Hungarian Premier emphasized. Orban said that additional scholarships should be granted to students who will study for projects that Mongolia and Hungary will cooperate on. Moreover, The Mongolia-Hungary business forum has brought together over 200 Mongolia and 60 Hungarian businessman. At the end of the event, the presidents of the countries’ chambers of commerce and industry signed a cooperation contract.