

MONGOLIA: MONTHLY MACROECONOMIC  
OVERVIEW

November 2016

<b>GDP growth of -1.7 percent</b> Q3 2016 (YoY)	<b>FDI reached USD 7.3 million</b> (in October 2016)	<b>Budget deficit MNT -2677 billion</b>	<b>Inflation 0.2 percent</b>	<b>Non-performing loans increased by MNT 1152 billion</b>	<b>USD 1 billion in BoM foreign currency reserves in October</b>
The industrial and construction sector decreased by 15 percent, the service sector by 5 percent.	Net FDI decreased by USD 83.5 million on the same period last year, and compared to the previous month, investment inflows amounted to USD 7.3 million.	MNT 5059 billion in revenue, MNT 7736 billion in expenditure and a balance deficit of MNT -2677 billion.	A decrease of 0.5 percent on the previous month, increased by 0.2 percent compared to the same period of the previous year.	Non-performing loans increased by 1.1 percent compared to the previous month, increased by 35.6 percent compared to the same period of the previous year reaching a total of MNT 1152 billion.	Decreased by USD 368 million or 26.2 percent compared to the same period of the previous year. The amount of foreign currency reserves reached USD 1039 million.



Average USD/MNT nominal exchange rate  
**2434.32₮**



Housing price index **1.008**  
decreased by 0.3 percent compared to the previous month and decreased by 5.5 percent YoY



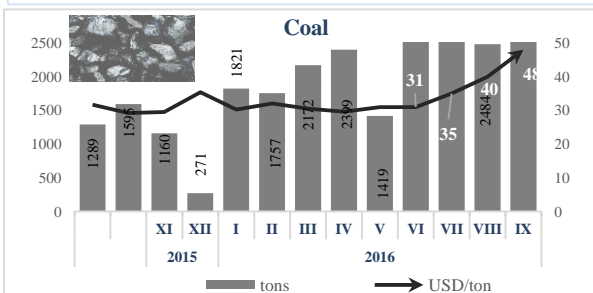
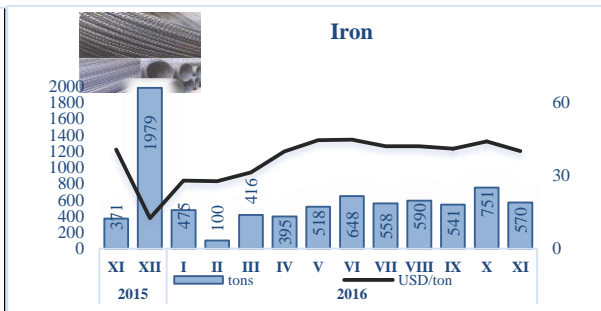
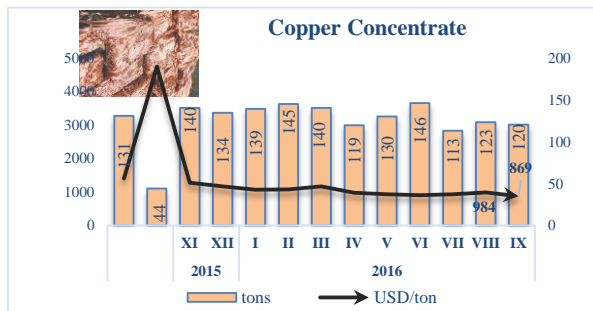
BoM policy rate  
**14 percent**



The parliament passed amendments to the Law on National Holidays, which legalized celebration of the Day of Proclamation of Republic every November 26 as a public holiday. Therefore, the cabinet at its regular meeting decided to move the holiday to Friday of November 25 for this year.

Major export commodity prices and volumes

Please see below monthly export volumes and prices for Mongolia's major commodities over the past 12 months.



Mongolia's exports of raw materials over the past 3 years  
(In thousands of US dollars, tons)

Major products	2014		2015		November, 2016	
	Amount (tons)	Revenue (USD)	Amount (tons)	Revenue (USD)	Amount (tons)	Revenue (USD)
Coal	19.5	0.8	14.4	0.6	22.1	7.7
Iron ore	6.3	0.4	6.3	0.2	5.5	2.2
Copper	1.4	2.5	1.4	2.3	1.4	1.5
<b>Total</b>	<b>27</b>	<b>4</b>	<b>22</b>	<b>3</b>	<b>29</b>	<b>11</b>

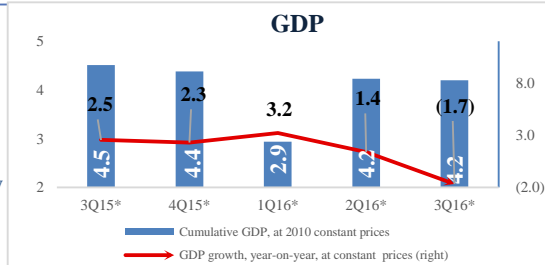
Source: National Statistics Office

**Macroeconomic Indicators**

November 2016

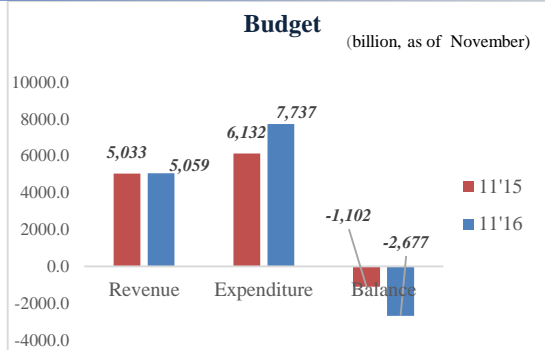
**GDP**

Cumulative GDP at constant prices in the third quarter of 2016 reached MNT 11.3 trillion, a decrease of MNT 193.3 billion or 1.7 percent compared to the same period of the previous year. For the same period, the industrial and construction sector decreased by 15 percent, the service sector by 5 percent.



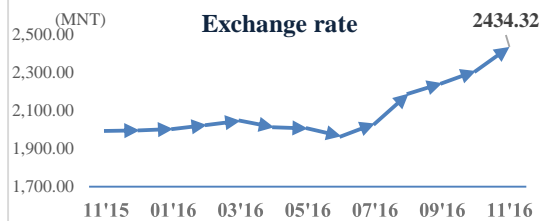
**Budget**

Government revenue decreased by 0.5 percent and expenditure increased by 26.2 percent from the same period of the previous year representing a budget deficit of MNT 2677 billion MNT. Total expenditure and net lending of the General Government Budget reached MNT 77367 billion which indicates an increase by MNT 1604 billion (26.2%) compared to the same period in 2015.



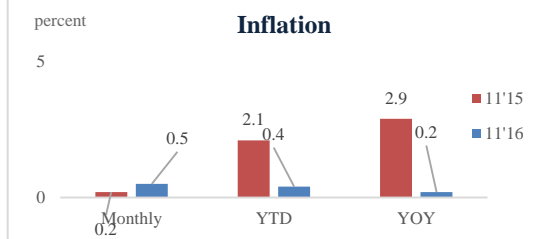
**Exchange rate**

In November, the MNT further depreciated against the USD. The average nominal exchange rate against the US dollar was MNT 2434.32. This is a 22.1 percent or MNT 441 increase from the same period of the previous year; a 5.5 percent or MNT 126.5 increase from the previous month.



**Inflation**

In November 2016, the Consumer Price Index decreased by 0.5 percent on the previous month, and increased by 0.4 percent to the previous compared to the same period last year. This slight increase of 0.2 percent from the same period of the previous year was mainly due to increase of 1.3 percent in prices for clothing footwear and cloth group 6 percent in prices for health group 2.5 percent in prices for education group.



\* Preliminary results, Source NSO, BoM

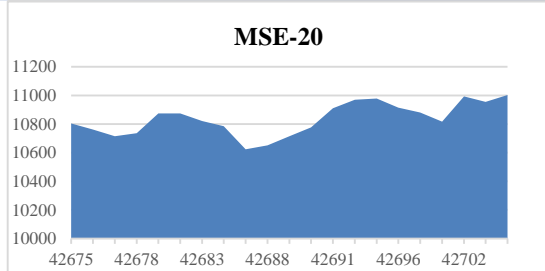
**Foreign exchange reserves**

As of October 2016, foreign exchange reserves were USD 1039 million. This is a 4.9 percent, or USD 54 million decrease compared to the previous month and a decrease 26.2 percent or USD 368 million compared to the same period of the previous year.



**MSE-20 index**

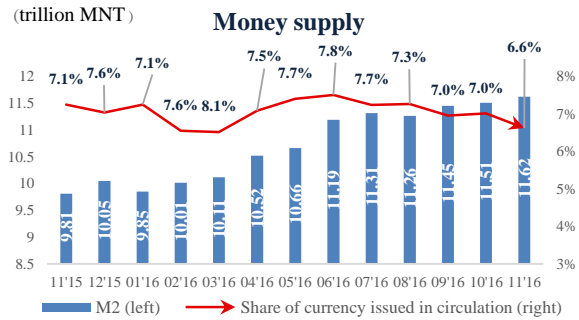
In November 2016, MNT 46.2 billion was traded in the stock market. The securities trade decreased by 3.2 million or 5.5 percent compared to the last month. The Top-20 index in November was 10849 points, a decrease of 376 points from the previous month and a decrease of 1899 points from same period of the previous year, respectively.



\* Mongolia Stock Exchange

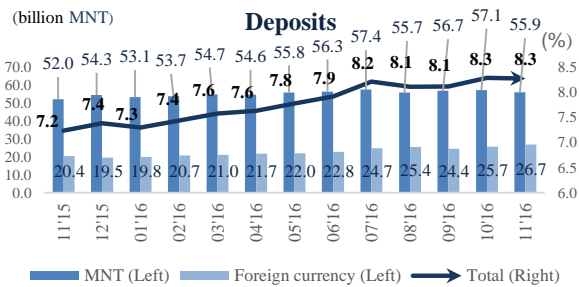
**Money**

Money supply (M2) at the end of November increased by 18.2 percent compared to the same period of the previous year and increased by 0.9 percent compared to last month. M2 reached MNT 11.6 trillion. The currency issued in circulation increased by 8 percent compared to the same period of last year and decreased by 4.7 percent from last month.



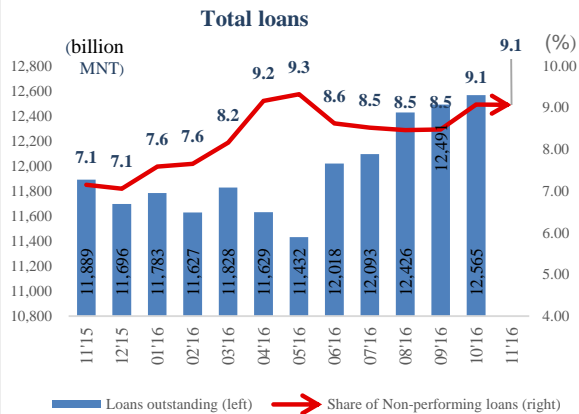
**Deposits**

Total deposits were MNT 8.2 trillion in November 2016, a decrease of 14.4 billion or 0.2 percent on the previous month. This is an increase of MNT 1034.1 billion or 14.3 percent on the same period last year. Savings in local currency increased by MNT 105 billion or 4.1 percent whereas local currency deposits decreased by 2.1 percent or MNT 119.4 billion.



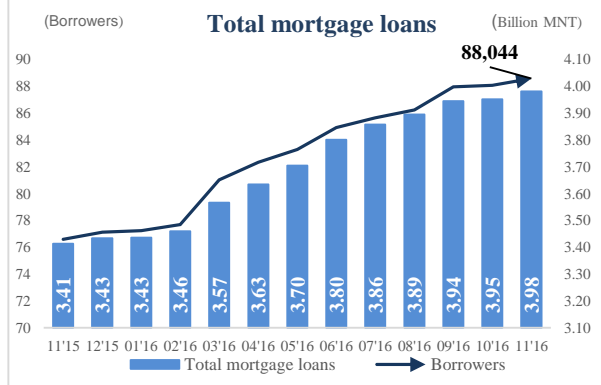
**Loans**

Total loans outstanding for businesses and individuals were MNT 12 trillion as of November 2016, which is an increase of 1.2 percent on the previous month and an increase of 6.9 percent compared to the previous year. Non-performing loans amounted to MNT 1152 billion, a 1.1 percent increase on the previous month and a 35.6 percent increase on the same period of last year. The share of non-performing loans made up 9 percent of total loans.



**Mortgage**

As of November 2016, the total value of outstanding mortgage loans rose by 0.7 percent (MNT 29.3 billion) on the previous month and increased by 16.6 percent (MNT 566.6 billion) from on the same period of the previous year, reaching MNT 3.9 trillion. In November, MNT 29.3 billion in mortgage loans were granted to 511 applicants and the total number of borrowers reached 88,555. The ratio of mortgage loans between MNT and foreign currency is presently 99.8/0.2 percent in favor of domestic currency.

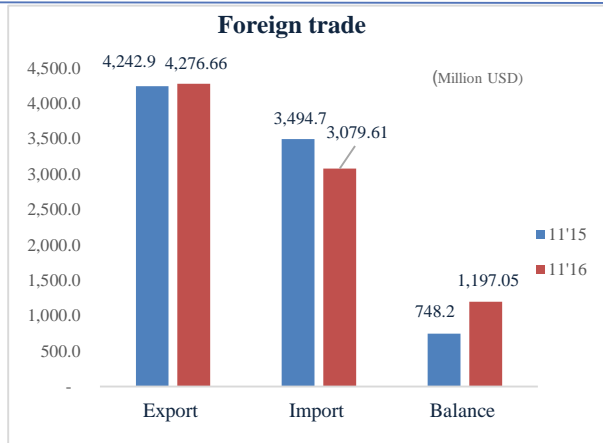


\* Source Bank of Mongolia

**Foreign Trade**

*Foreign Trade*

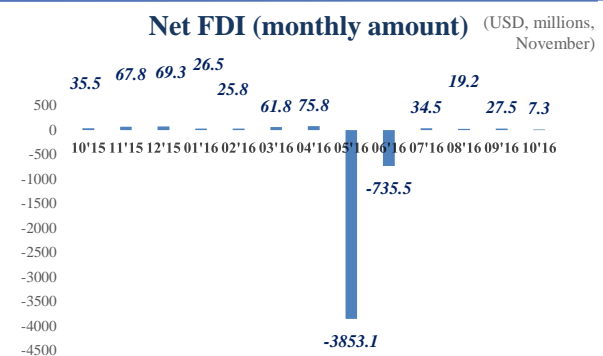
In November 2016, total trade turnover reached USD 7.3 billion, of which exports totalled USD 4.2 billion and imports amounted to USD 3 billion, resulting in a foreign trade surplus of USD 1197 million. Compared to the previous year, total turnover decreased by 4.9 percent, exports increased by 0.8 percent and imports decreased by 11.8 percent. The increase in exports was mainly due to a USD 33.7 million increase in mineral products, a USD 573.6 million increase in copper concentrate, and a USD 267.3 million increase in coal exports.



\* Source NSO, BoM

*Foreign direct investment*

Net Foreign Direct Investment inflows in October 2016 amounted to USD 7.3 million. This is a decrease of USD 28.2 million compared to the same period of the previous year. Investments outflow equated to USD -0.7 million, while investment inflows amounted to USD 8 million.

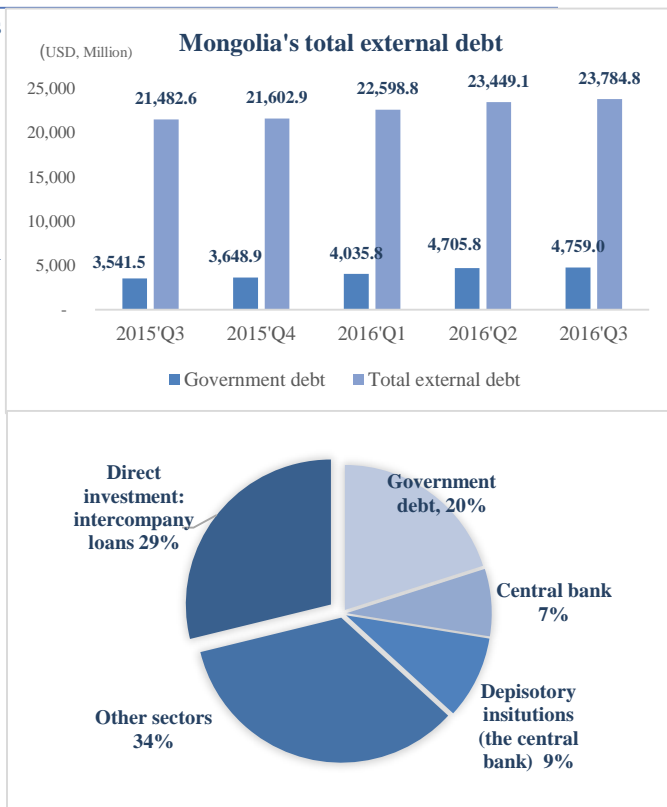


\* Source NSO, BOM

**Mongolia's foreign debts**

*External debt*

In the third quarter of 2016, Mongolia's total public foreign debt stood at USD 4.7 billion. Mongolia's total external debt outstanding is USD 23.7 billion. Government debt decreased by 1 percent compared to the previous quarter (USD 53 million) and total external debt decreased by 1 percent on the previous quarter (335 million). Of the total debt, 20 percent is attributable to the government, 7 percent to the central bank, 10 percent to depository institutions, 34 percent to other sectors, and 29 percent to inter-company loans. 96 percent of 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- Positive	B	Negative
	Date	2016.8.19	2013.12.13	
	Standard & Poor's downgraded Mongolia's sovereign rating from B grade to -B grade in August 2016. The main reasons behind the downgrades were non-investment, a risky economy and an unstable market. Mongolia's economy is dependent on the mining sector, which has caused financial instability in the economy, and is the main reason behind the rating downgrade.			

## Moody's :

Moody's credit rating for Mongolia has changed since September 2016, with a B3 classification and a negative outlook.

Date	Credit ratings	Perspective
June 10, 2009	B1	Negative
October 30, 2009	B1	Stable
May 26, 2014	B1	Negative
July 17, 2014	B2	Negative
September 05, 2016	B3	Negative
November 18, 2016	Caa1	Negative

Moody's international credit rating for Mongolia reduced from B3 to Caa1 in November, 2016. The cited reasons were (i) heightened uncertainty regarding the government's ability to meet its direct and indirect debt service obligations over the next two years and to shore up Mongolia's external liquidity, and (ii) the budget deficit will remain wider for longer than previously expected, which, combined with a weaker growth outlook in the coming 2 years, will raise the government's debt burden to elevated levels

## Highlights of the month

**11.3-4** The Economic Policy and Competitiveness Research Center (EPCRC) in partnership with Konrad Adenauer Stiftung, the Dundgobi province governor's office, and the National chamber of commerce organized by the Gobi Region Competitiveness forum 2016 which was held on 3-4 November at Mandolgobi, Dundgobi province. The forum included ministries, government agencies, private sector representatives and development partners, as well as Gobi-region government and business.

**11.18** By invitation of Mongolian Buddhists and Gandantegchenlin Monastery, center of Buddhism in Mongolia, His Holiness the 14th Dalai Lama paid a religious visit to Mongolia on November 18-23. The 14th Dalai Lama, Tenzin Gyatso first visited Mongolia in 1979.













