

MONGOLIA: MONTHLY MACROECONOMIC
OVERVIEW

July 2017

<p>GDP growth of 5.6 percent Q2 2017 (YoY)</p>	<p>FDI reached USD -148.2 million (in July 2017)</p>	<p>Budget deficit MNT -589 billion</p>	<p>Inflation 3.4 percent</p>	<p>Non-performing loans MNT 1150 billion</p>	<p>USD 1.36 billion in BoM foreign currency reserves in July</p>
<p>The net tax on products and service sector increased by 24 percent and 9 percent respectively.</p>	<p>Net FDI decreased by USD 182.7 million compared to the same period last year, investment inflows amounted to USD 127.3 million.</p>	<p>MNT 3899 billion in revenue, MNT 4489 billion in expenditure and a balance deficit of MNT 589 billion.</p>	<p>No inflation recorded since the previous month, increased by 3.4 percent compared to the same period of the previous year.</p>	<p>Non-performing loans were stable compared to the previous month (8.5%), however they increased by 12 percent compared to the same period of the previous year reaching a total of MNT 1150 billion.</p>	<p>Increased by USD 44 million or 3.3 percent compared to the previous month.</p>



Average USD/MNT nominal exchange rate
2409.41₮



Housing price index
1.003
decreased by 0.7 percent to the previous month and decreased by 1.1 percent YoY



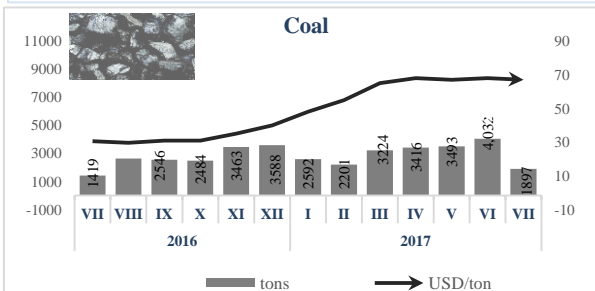
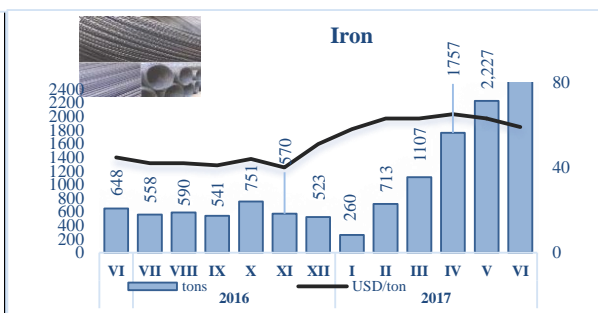
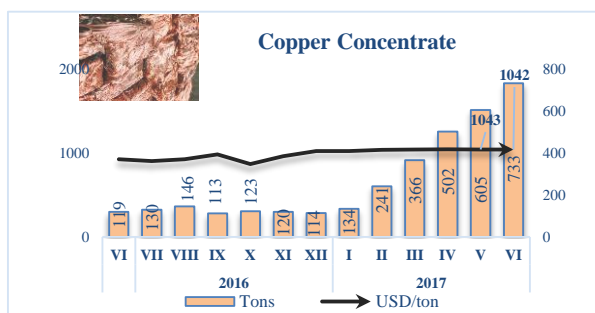
BoM policy rate
12 percent



The opening ceremony for the traditional Naadam festival dedicated to the 2226th anniversary of Mongolian statehood, the 81th anniversary of the Great Mongol Empire, 106 years of National liberation and the 96th anniversary of the People's Revolution was held on July 11-15th 2017. The newly selected President of Mongolia Mr. Battulga Khaltmaa launched the Naadam festival for the first time.

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	2015		2016		July, 2017	
	Amount (tons)	Revenue (USD)	Amount (tons)	Revenue (USD)	Amount (tons)	Revenue (USD)
Coal	14.4	0.6	25.7	9.7	20.8	1.4
Iron ore	6.3	0.2	6.1	2.4	3.1	1.7
Copper	1.4	2.3	1.5	1.6	8.5	8.8
Total	22	3	33	14	32	12

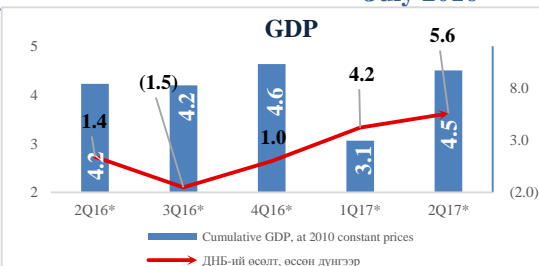
Source: National Statistics Office

Macroeconomic Indicators

July 2016

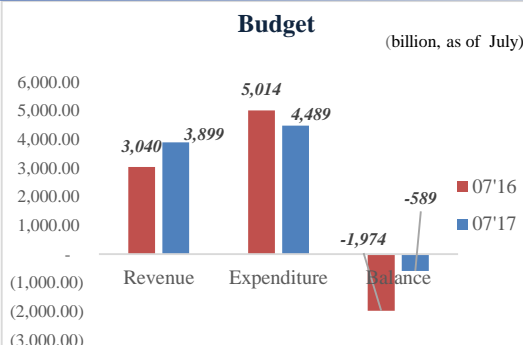
GDP

GDP growth (2010 constant prices) has further accelerated over the second quarter of 2017. It reached 5.6 percent (MNT 300 billion increase) compared to the same period in 2016. During the second quarter of 2017, the total GDP amounted to MNT 4.5 billion. For the same period, the net taxes on products and service sector increased by 24 percent and 9 percent respectively. This result is consistent with that of the first quarter and indicates the recovery of a vigorous economic growth for Mongolia since the start of the year.



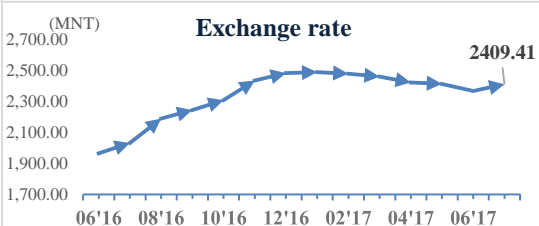
Budget

Public budget deficit in July was significantly reduced (by 70%) compared to last year representing a budget deficit of MNT 580 billion MNT. Total revenue of the central budget of 78.7 percent are tax revenue, 12.6 percent are non-tax revenue, 5.1 percent are income of future funds, and 3.7 percent of the stabilization fund revenue.



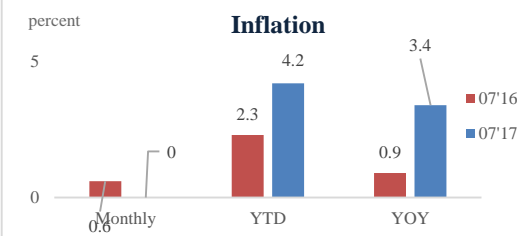
Exchange rate

The USDMNT exchange rate slightly increased in July (+1.8 percent, MNT 41.48, compared to June). This small depreciation of the national currency is still limited as, since the beginning of the year, the Mongolian tugrik has appreciated by 2.95%. However, it is difficult to predict if this shift in tendency will be confirmed over the next few months.



Inflation

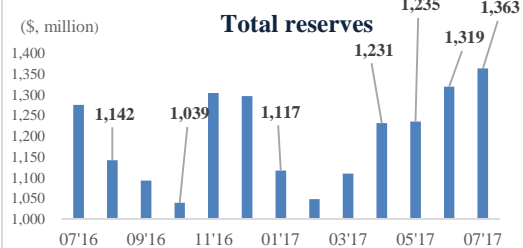
No inflation was recorded in July (0 percent monthly rate). Prices remained exceptionally stable in all categories of goods, with no exception. However, this sudden stop should be considered in perspective as, since January, the consumer price index has still increased by 4.2 percent, which is a relatively high rate.



Foreign exchange reserves

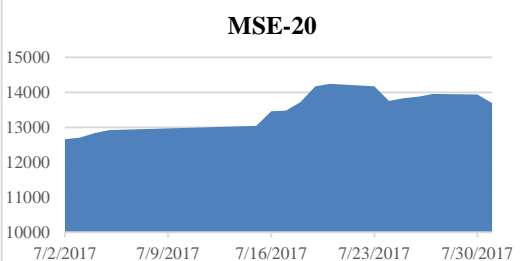
As of July 2017, foreign exchange reserves were USD 1363 million. This is 14.4 percent or USD 207 million increase compared to the same period of the previous year. Compared to last month, there was a USD 44 million (3.3 percent) increase in national foreign currency reserves. The current level (USD 1.36 billion) is the highest since April 2016.

* Preliminary results, Source NSO, BoM



MSE-20 index

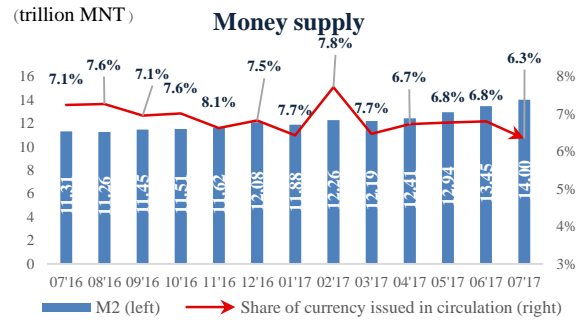
As of July 2017, 53.9 million securities were traded valued at 923.8 billion in the stock market. The volume of securities trade increased by 763.5 million or 5.8 percent compared to the same period of the previous year. The Top-20 index in July was 13 610 points, a decrease of 1026 points from the previous month and an increase of 920.9 points from same period of the previous year.



* Mongolia Stock Exchange

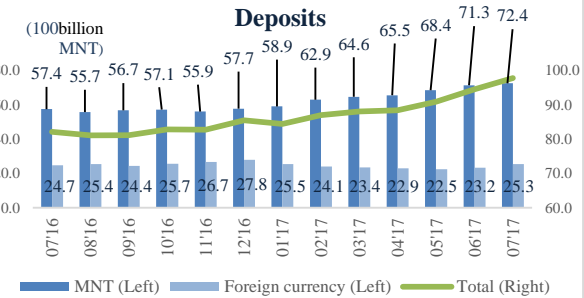
Money

The money supply (M2) increased by 4 percent in July and reached MNT 14.0 trillion. Compared to the same period of the previous year its increased 23 percent. The share of currency in circulation decreased significantly, from 6.8 percent down to 6.3 percent as the proportion of money kept outside banks decreased.



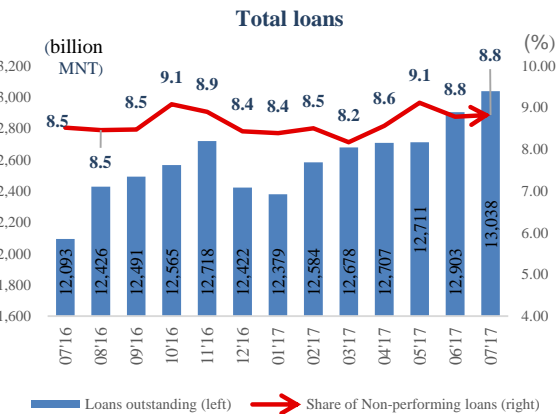
Deposits

Deposits, both domestic and foreign, have been following their upward trend steadily in July and reached the unprecedented amount of MNT 9.77 trillion, up from 9.45 trillion in June. Since January, the amount of money held in deposit has increased by 16 percent already. Additionally, the proportion of foreign deposit increased by 5 percent this month.



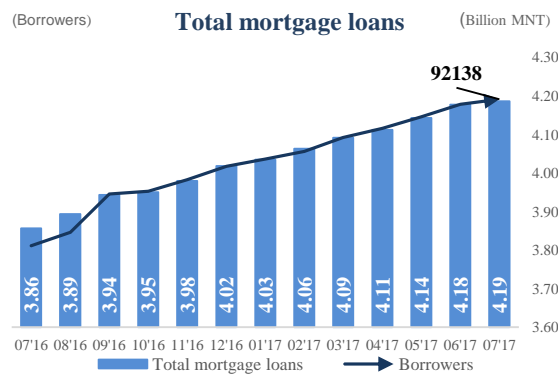
Loan

Total loans outstanding have kept growing in July and reached more than MNT 13 trillion, following this year's trend. As for non-performing loans, they were constant at 8.8 percent, which is still an increase by 11.6 percent compared to the same period of last year.



Mortgage

As of July 2017, the total mortgage loans rose by 0.2 percent on the previous month and increased by 8.6 percent from on the same period of the previous year, reaching MNT 4.1 trillion. In July, MNT 8.9 billion in mortgage loans were granted to 222 applicants and the total number of borrowers reached 92138. The ratio of mortgage loans between MNT and foreign currency is presently 99.4/0.6 percent in favor of domestic currency.



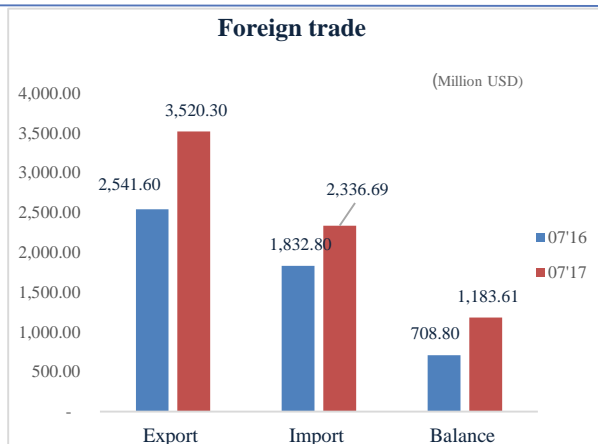
* Source Bank of Mongolia

Foreign Trade

Foreign Trade

Mongolia's exports and imports have both strongly increased between July 2016 and July 2017. Moreover, exports have increased significantly more (USD 979 million) than imports (USD 504 million), resulting in an improvement of the trade surplus, which was almost equal to USD 1.2 billion for this month.

Compared to the previous month, coal exports have increased by USD 126 million while they increased by USD 124 million for copper concentrate. This was due to an increase in volumes as prices slightly decreased. Mongolia is still very much dependent on China for its exports as exports to its neighbour represent 90.4% of the total.

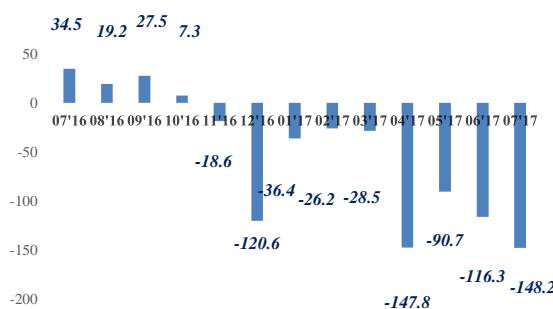


* Source NSO, BoM

Net FDI (monthly amount)(USD, millions,)

Foreign direct investment

Foreign direct investments in Mongolia amounted to USD 148.4 million in July, an increase of 27.7% (USD 32.2 million) compared to the last month. Mongolian direct investments abroad were a mere 200 thousand, thus resulting in a net balance of -148.2 million overall.

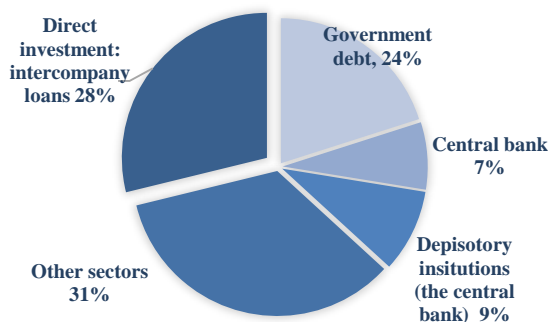
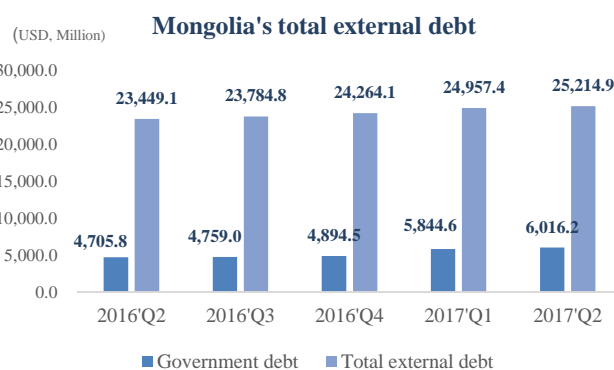


* Source NSO, BOM

Mongolia's foreign debts

External debt

In the second quarter of 2017, Mongolia's total public foreign debt stood at USD 6 billion. Mongolia's total external debt outstanding is USD 25 billion. Government debt increased by 3 percent compared to the previous quarter (USD 171 million) and total external debt increased by 1 percent on the previous quarter (257 million). Of the total debt, 24 percent is attributable to the government, 7 percent to the central bank, 9 percent to depository institutions, 31 percent to other sectors, and 28 percent to inter-company loans.



*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

Mongolian	S&P		Fitch	
	B-	Positive	B	Negative
Date	2016.8.19		2013.12.13	

Credit ratings

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

7.24

In the first half of 2017, 2.8 million passengers crossed the border of Mongolia, which represents an increase of 368.5 thousand passengers or 15.2 percent compared to the same period of 2016. Majority or 37.6 percent of inbound passengers have crossed through Zamiin-Uud immigration post, whereas 15.7% passed through Gashuunsukhait, 15 percent through Buyant-Ukhaa, 11.8 percent through Altanbulag, 6.6 percent through Shiveekhuren and 13.2 percent through other immigration posts. Within the first half year, 216.9 thousand foreigners travelled to Mongolia, showing increase by 36.3 thousand. This is increase of 20.1 percent against the same period of previous year. The number of tourists from South Korea has increased by 43.7 percent, Australia by 32.6 percent, Russia by 27.7 percent, and China -- by 19.7 percent, whereas the number of tourists from Turkey has decreased by 21.8 percent, Italy by 5.1 percent, and India by 3.5 percent. 64.7 percent of the foreign tourists were from the East Asia and the Pacific region, 29 percent from Europe, 4.7 percent from America and remaining 1.6 percent were from the Middle East, South Asia and Africa.

7.25

Mongolia is being ranked fourth place with its coal export in the world, following Australia, Canada and the U.S. Today, 99 percent of Mongolian coal is being exported to China. In 2016, the coal import of China went up by 23 percent as the annual working days of local mines have been lowered from 365 to 276. In the first six months of this year, the China's coal import from Mongolia reached 15 tons. As of July 25, 26027.9 thousand tons of coal was extracted and exported totaling 23219.5 thousand tons of coal was exported to 19145.4 thousand tons of coal. Compared to the same period of last year coal mining was 104.1 percent, sales were 73.5 percent and exports were 98.89 percent.