

MONGOLIA: MONTHLY MACROECONOMIC
OVERVIEW

June 2017

GDP growth of 4.2 percent Q1 2017 (YoY)	FDI reached USD -62.8 million (in May 2017)	Budget deficit MNT -740 billion	Inflation 3.3 percent	Non-performing loans increased by MNT 1132 billion	USD 1.2 billion in BoM foreign currency reserves in May
The net taxes on products and service sector increased by 18 percent and 6 percent respectively.	Net FDI decreased by USD 3915 million on the same period last year, investment inflows amounted to USD -62.8 million.	MNT 3276 billion in revenue, MNT 4017 billion in expenditure and a balance deficit of MNT (740) billion.	A decrease of 0.6 percent on the previous month, increased by 3.3 percent compared to the same period of the previous year.	Non-performing loans increased by 1.5 percent compared to the previous month, increased by 7.4 percent compared to the same period of the previous year reaching a total of MNT 1132 billion.	Decreased by USD 207 million or 14.4 percent compared to the same period of the previous year. The amount of foreign currency reserves reached USD 1235 million.



Average USD/MNT nominal exchange rate
2367.93₮



Housing price index
1.010
decreased by 2.6 percent compared to the previous month and decreased by 4.7 percent YoY



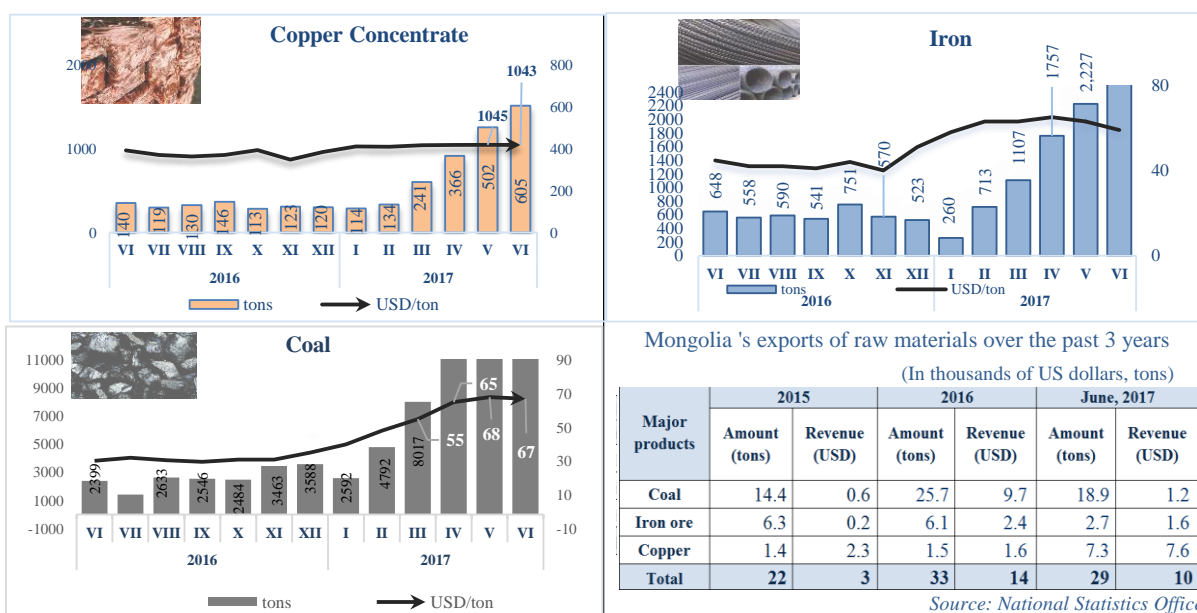
BoM policy rate
12 percent



The Bank of Mongolia has reduced the policy rate by two points to 12 percent. As a result, the lending rate of commercial banks will decrease and a condition has created to make business active, they explained. There is no considerable changes have been made in recent policy rate changes on savings and lending rates. The average loan interest rate is 19-20, and the deposit is stuck at 12-13 percent.

Major export commodity prices and volumes

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



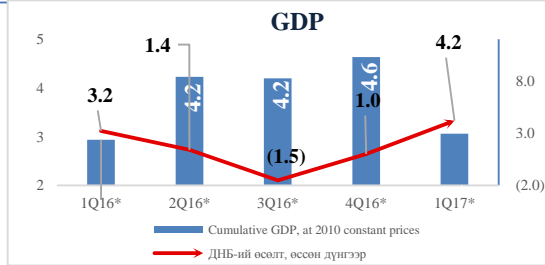
Parliament approved dates for the organizing of the Presidential Election, a budget of MNT 14.9 billion will be allocated to organize the election and the maximum cost of one party spending is 6.8, and the maximum spending for each candidate is 3.9 billion MNT.

Macroeconomic Indicators

June 2016

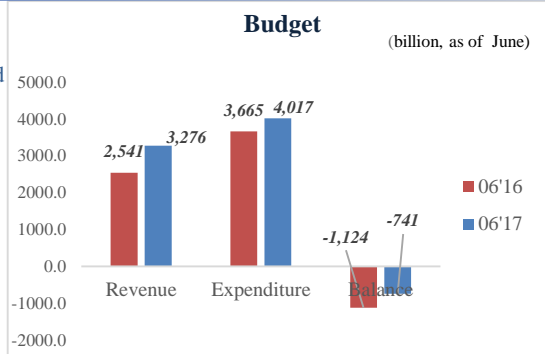
GDP

Cumulative GDP at constant prices in the first quarter of 2017 reached MNT 3 trillion, an increase of MNT 126.2 billion or 4.2 percent compared to the same period of the previous year. For the same period, the net taxes on products and service sector increased by 18 percent and 6 percent respectively.



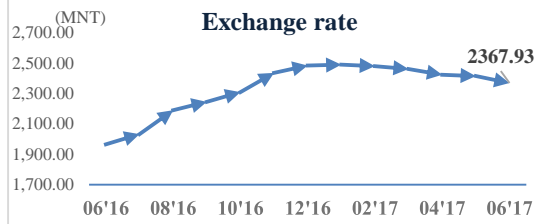
Budget

Government revenue increased by 28.9 percent and expenditure increased by 9.6 percent from the same period of the previous year representing a budget deficit of MNT 740 billion MNT. The tax revenue reached MNT 2302 billion showing an increase by MNT 464.7 billion 25.3 percent compared to the same period of the previous year. This growth was mainly affected by increase in income taxes which increased by 78.5 percent, 12.8 percent increase in non-tax revenue, 3.2 percent increase in stabilization fund.



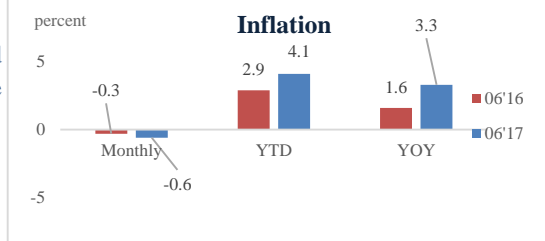
Exchange rate

In May, the MNT further depreciated against the USD. The average nominal exchange rate against the US dollar was MNT 2367.93. This is a 18.6 percent or MNT 403 increase from the same period of the previous year; a 1.9 percent or MNT 45 decrease from the previous month.



Inflation

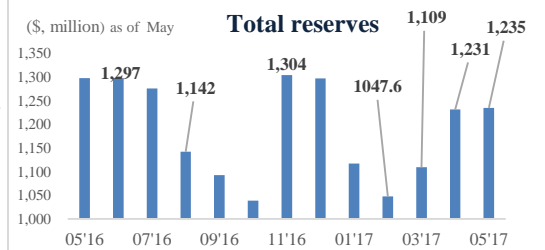
In June 2017, the Consumer Price Index increased by 0.6 percent on the previous month, and increased by 3.3 percent to the previous compared to the same period last year. This change of 3.3 percent from the same period of the previous year was mainly due to increase of 10.3 percent in prices of transport group (purchase of vehicles increased by 21 percent), and clothing, 2.7 percent in prices for clothing, footwear and cloth group.



* Preliminary results, Source NSO, BoM

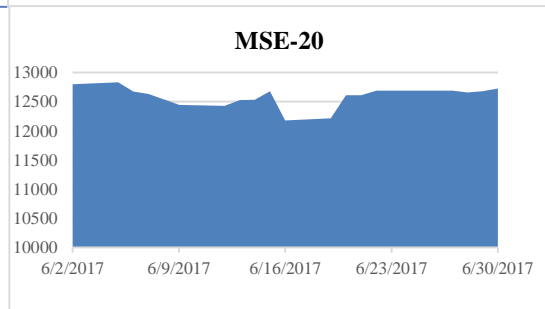
Foreign exchange reserves

As of May 2017, foreign exchange reserves were USD 1235 million. This is a 0.28 percent, or USD 4 million increase compared to the previous month and a decrease 14.4 percent or USD 207 million compared to the same period of the previous year.



MSE-20 index

In the first six months of 2017, 51.2 million pieces securities were traded valued at 792.5 billion in the stock market. The securities trade increased by 635.6 million or 5 percent compared to the same period of the previous year. The Top-20 index in June was 12 584 points, a decrease of 312.7 points from the previous month and an increase of 1132 points from same period of the previous year.



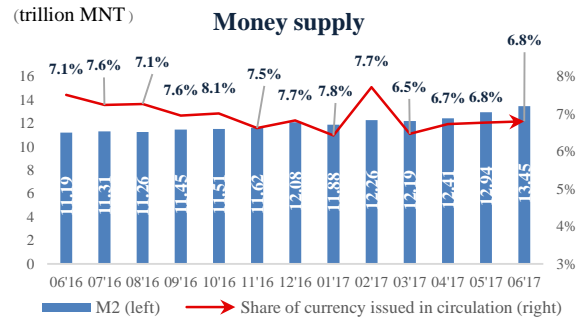
* Mongolia Stock Exchange

The financial sector

June 2016

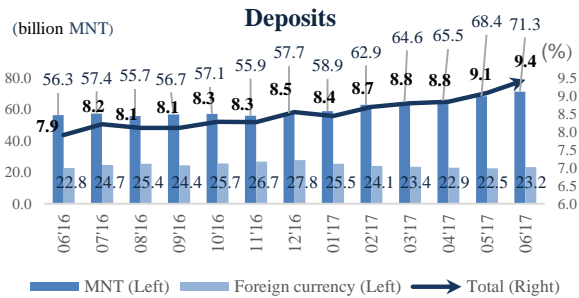
Money

Money supply (M2) at the end of June increased by 20 percent compared to the same period of the previous year and increased by 3.9 percent compared to last month. M2 reached MNT 13.4 trillion. The currency issued in circulation increased by 9 percent compared to the same period of last year and increased by 4.5 percent from last month. The share of M2 made up 6.8 percent of total money supply.

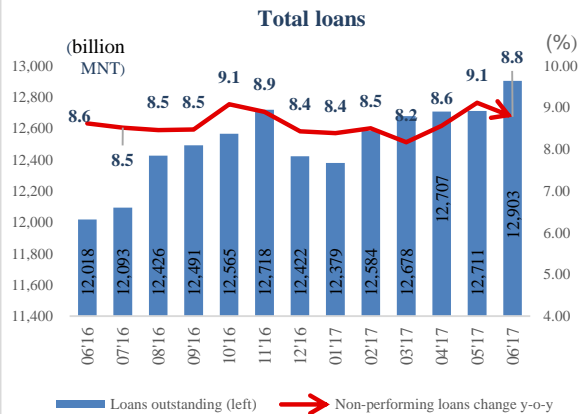


Deposits

Total deposits were MNT 9.4 trillion in June 2017, an increase of 363.5 billion or 4 percent on the previous month. This is an increase of MNT 1536.8 billion or 19.4 percent on the same period last year. Savings in local currency increased by MNT 288.9 billion or 4.2 percent whereas foreign currency deposits increased by 3.3 percent or MNT 74.6 billion.

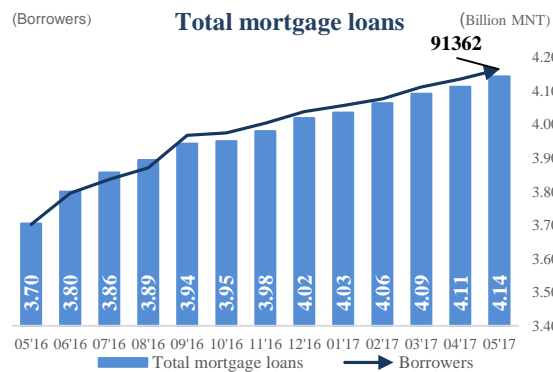


Total loans outstanding for businesses and individuals were MNT 12.9 trillion as of June 2017, which is an increase of 7.4 percent compared to the previous year. Non-performing loans amounted to MNT 1132 billion, a 2.2 percent increase on the previous month and a 9.3 percent increase on the same period of last year. The share of non-performing loans made up 8.8 percent of total loans.



Mortgage

As of May 2017, the total value of outstanding mortgage loans rose by 0.8 percent (MNT 30.9 billion) on the previous month and increased by 11.9 percent (MNT 439 billion) from on the same period of the previous year, reaching MNT 4 trillion. In May, MNT 30.9 billion in mortgage loans were granted to 512 applicants and the total number of borrowers reached 91362. The ratio of mortgage loans between MNT and foreign currency is presently 99.4/0.6 percent in favor of domestic currency.

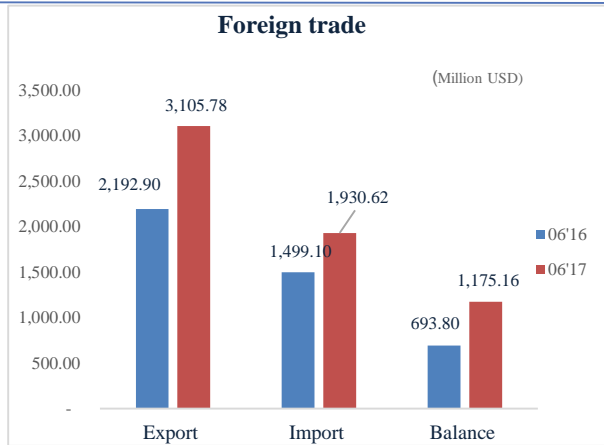


* Source Bank of Mongolia

Foreign Trade

Foreign Trade

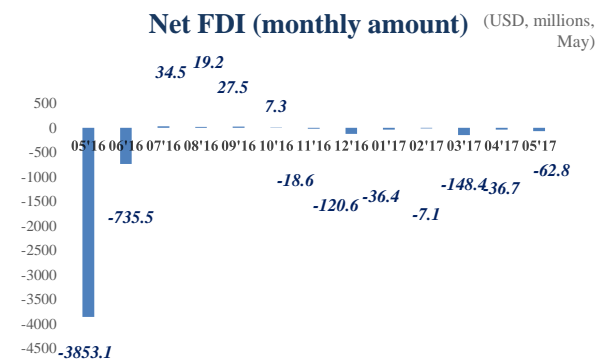
In the first six months of 2017, total trade turnover reached USD 5036 million, of which exports totalled USD 3105 million and imports amounted to USD 1930 million, resulting in a foreign trade surplus of USD 1175 million. The import increase of USD 431.5 million was mainly due to USD 148.2 million increase in mineral products import, specially USD 108.0 million increase in diesel import and USD 30.1 million increase in petrol import, USD 99.1 million rise in machinery, equipment, electric appliances, USD 96.3 million increase in transport vehicles, their spare parts and USD 40.3 million in base metals and articles thereof.



* Source NSO, BoM

Foreign direct investment

Net Foreign Direct Investment inflows in May 2017 amounted to USD -62.8 million. This is a decrease of USD 3915 million compared to the same period of the previous year. Investments outflow equated to USD -0.2 million, while investment inflows amounted to USD 63 million.

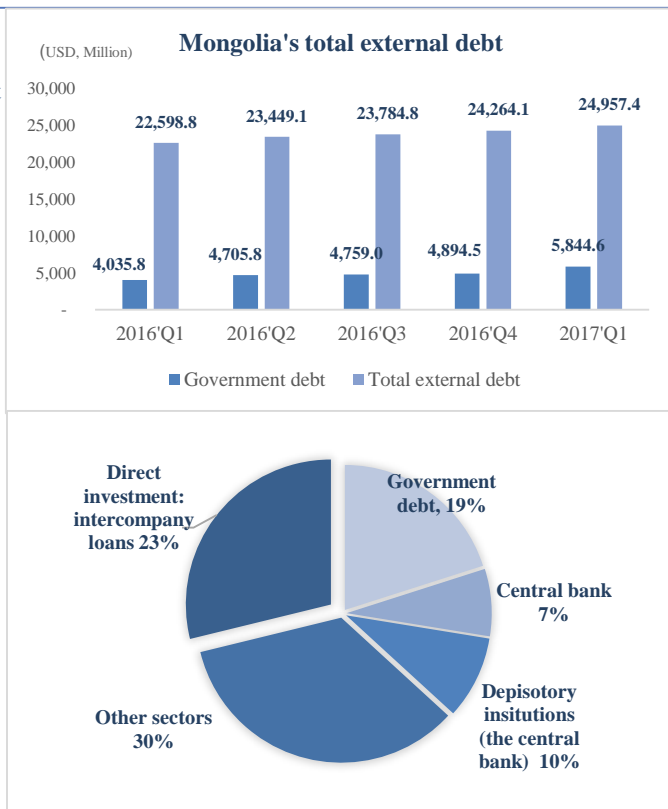


* Source NSO, BOM

Mongolia's foreign debts

External debt

In the first quarter of 2017, Mongolia's total public foreign debt stood at USD 5 billion. Mongolia's total external debt outstanding is USD 24.9 billion. Government debt increased by 19 percent compared to the previous quarter (USD 950 million) and total external debt increased by 3 percent on the previous quarter (693 million). Of the total debt, 23 percent is attributable to the government, 7 percent to the central bank, 10 percent to depository institutions, 30 percent to other sectors, and 30 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

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

- 6.12** Suu, which means milk in Mongolian premier factory, sold 6 billion tugrik (\$2.55 million) of debt as it aims to boost production and refinance dollar-denominated debt accumulated during the country's short-lived economic boom. The one-year bills have an annual interest rate of 17.5 percent.
- 6.13** Mongolia ranked 62nd with 48.1 overall score (out of 100 score) out of 63 countries in IMD World Competitiveness Yearbook 2017, published by IMD annually since 1989. Mongolia ranked 60st with 45.7 overall score out of 61 countries in last year's report which means overall score of Mongolia increased.