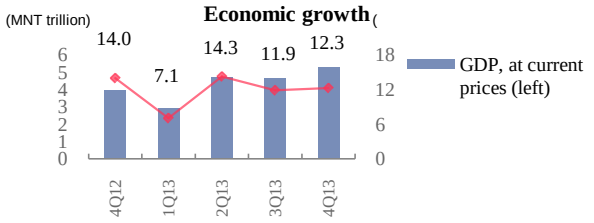
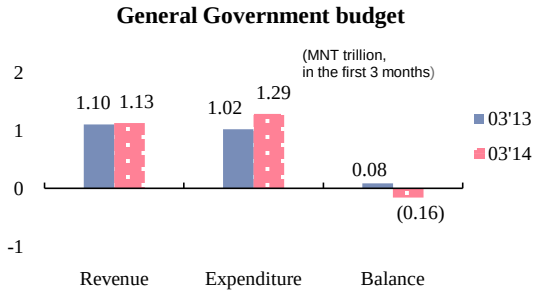
MONTHLY MACROECONOMIC OVERVIEW
March 2014

MAIN INDICATORS: GDP, STATE BUDGET, FOREIGN TRADE, EXCHANGE RATE, INFLATION

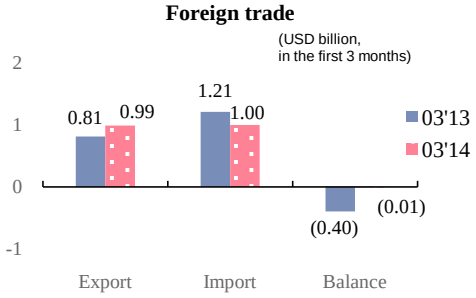
The economic growth is 11.7% at constant prices GDP reached MNT 17.5 trillion or USD 10 billion at current prices and MNT 6.1 trillion or USD 3.5 billion at prices of 2005 in the end of 2013, which is up by 25.2% at current prices and 11.7% at prices of 2005 compared to the same period last year. Real GDP growth picked to 11.9% in the third quarter of 2013, rising to 12.3% in the fourth quarter.



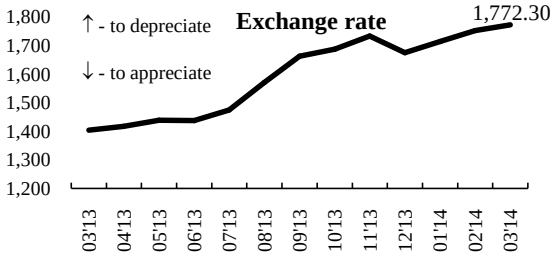
The accumulative budget for the central and local governments is in deficit of MNT 159 billion. In the first three months of 2014 the total state budget revenue and expenditure amounts to MNT 1,127.9 and MNT 1,287 billion respectively. The deficit has exacerbated from 83.6 billion surplus for the same period last year, since revenue increased only by 2.2%, whereas expenditure by 26.2%. The increase in expenditure was caused mainly by expenditure on goods and services that rose by 12%, interest payments by 3 times, subsidies and transfers by 11.2%, and capital expenditure from internal sources by 3 times as well.



The trade balance was in deficit of USD $9.1 million. The total turnover of foreign trade reached USD 1,982.9 million, showing decrease of 1.5% compared to the same period last year. Exports are higher by 22% reaching USD 986.9 million and imports are lower by 17.3% accounting to USD 996 million. However, compared to the previous month the export and the import level increased by 43.5% and 38% respectively. The coal export reached USD 206 million in value (3.7 million tones in volume), so it represents a 1% decrease from the same period last year. Export value of copper concentrate showed an increase of 67% from the same period last year amounting to USD 349 million.

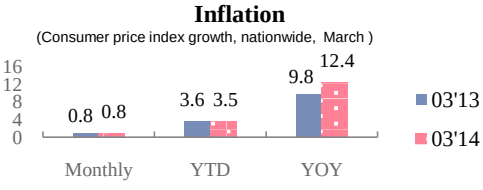


The Mongolian Tugrik continued to depreciate against the USD. The monthly average exchange rate depreciated by 1.1% to 1,772.30 MNT against the USD, while the yearly average exchange by 26.2% over the past year. In January the total amount of foreign currency reserves reached USD 2,446 million, up by 8.8% compared to the previous month. Compared to the same period last year, foreign currency reserves are now down 40.1%.



The yearly inflation rate rose to 12.4%

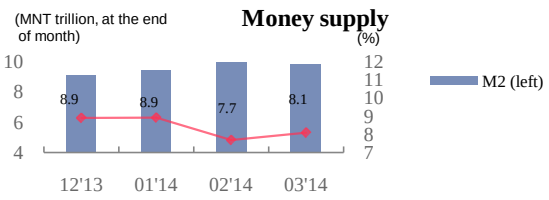
Compared to March 2013 it increased by 2.6 percentage points (ppts). Of the 0.8% inflation for the month and 3.5% year to date inflation, price rise of food and non-alcoholic beverages as well as of clothing, footwear and clothing contributed at most. The 12.4% yearly inflation rate was caused by increases in the prices of food and non-alcoholic beverages, clothing, footwear and clothing as well as education.



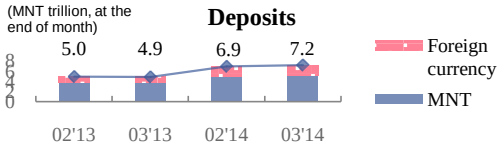
Source: NSO, BoM

FINANCIAL SECTOR: MONEY SUPPLY, DEPOSITS, LOANS

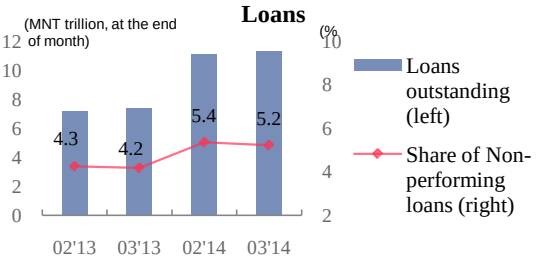
The money supply (M2) reached MNT 9.9 trillion
M2 rose 0.7% from the previous month reaching MNT 9.9 trillion or USD 5.59 billion. M2 is 35.8% higher than in the same period last year. Currency issued in circulation rose by 5.9%, and remains 16.5% higher than the previous year to be MNT 801.2 billion. Currency issued in circulation amounts to 8.1% of the M2.



Bank deposits rose by 3.5% to MNT 7.1 trillion Deposits are now 47.2% higher than a year ago, an increase of MNT 2.3 trillion. Deposits in MNT rose by 5.4% to MNT 5.2 trillion, while foreign currency deposits fall by 1.3% to MNT 2 trillion. MNT desposits and foreign currency deposits are now 40% and 68% higher than one year ago.



Non-performing loans declines
Loans outstanding reached MNT 11.4 trillion or USD 6.42 billion. It increased by 2% compared to last month and 54.1% compared to the same period last year. Non-performing loans increased by 92.6% from last year accounting to 5.2% of the total amount of loans. The annual interest rate (weighted average) decreased by 0.1 units for loans in MNT and 1.5 units for loans in foreign currency from last year reaching 19.7% and 12.7%.



Source: NSO, BoM

Monthly highlights

> The 5th annual meeting of Mongolian Economic Forum was organized under the theme "Let's create in Mongolia" to address current social and economic issues of the country. During these two days of meeting over 800 participants attended to take part in discussions on 30 timely topics from special fields of interest.

> The government decided to invest MNT 1 trillion from Chingis bond sources in the industrial manufacture and in the expansion of the export business. The Ministry of Economic Development and The Development Bank of Mongolia have selected 888 out of 1151 projects in total that are compatible with import substitution and export assistance. The conditions and terms of the project loan are agreeable, since the loan's duration is five years and it bears interest at a rate of less than 9% if successfully implemented. It has been estimated to create over 40 thousand jobs und the first results will be seen in 55 months.

Summary

The accumulative budget for the central and local governments is in deficit of MNT 159 billion, since the total budget revenue and expenditure amounts to MNT 1,127.9 and MNT 1,287 billion, respectively. Revenue and expenditure increased by 2.2% and 26.2%. The deficit has worsened from 83.8 billion surplus for the same period last year. The expenditure increase was caused mainly by expenditure on goods and services that rose by 12%, subsidies and transfers by 11.2%, interest payments by 3 times, and capital expenditure from internal sources by 3 times as well.

The trade balance was in deficit of USD $19.8 million. The total turnover of trade reached USD 1.2 billion, a decrease of 1.5% from the same period last year. Exports are higher by 22% reaching USD 986.9 million and imports down 17.3% to USD 996 million. The coal export reached USD 206 million in value (3.7 million tones in volume which is up by 8%), so it represents a 1% decrease from the same period last year. Export value of copper concentrate showed an increase of 67% from the same period last year amounting to USD 349 million (214 thousand tones in volume which is up by 53%).

To the export changes mineral products contributed 70%, vegetable products 4%, and natural or cultured stones, precious metal, jewellery 27%. The total export changes of USD 177.7 million were up 22% compared to the same period last year reflecting high export value of mineral products. Imports of mineral products fell by 22%, of machinery, equipment electric appliances, recorders, TV sets and spare parts by 31%, and auto, air and water transport vehicles and their spare parts by 40.6% as well.

The yearly average value of the tugrik fell by 26.2% against the USD, by 34.6% against the EUR, and by 27.1% against CNY.