ECONOMIC POLICY AND COMPETITIVENESS RESEARCH CENTER

MONGOLIA: MONTHLY MACROECONOMIC OVERVIEW

November 2015

Indicators:

GDP growth of **2.5%** Q3 2015 (Y-o-Y)	FDI reached **54.5 million dollars** (in Ocotber 2015)	A budget deficit **MNT -1102.2 billion**	Inflation **2.9%**	Non-performing loans increased by **MNT 850 billion**	**USD 1.4 billion** in BoM foreign currency reserves in October
* 12.8% growth in agriculture * 6.2% growth in industry and services sector.	Net FDI decreased by USD 307.4 million compared to the same period of previous year, and by USD 52.1 million compared to the previous month.	MNT 4.04 trillion in revenue and MNT 4.91 trillion in expenditure and a balance deficit of MNT -867.3 billion	Decrease 2.9% by 0.2 percent compared to previous month, and increased by 2.1 percent at the begining of the year and by 2.9 percent year to date.	Non-performing loans decreased by MNT 24 billion or 0.2% compared to the previous month of reaching a total MNT 850 billion.	Decreased by USD 6 million or 0.4 percent compared to the previous month. The amount of foreign currency reserve reached USD 1.4 billion

Average USD/MNT nominal exchange rate **1992.90**

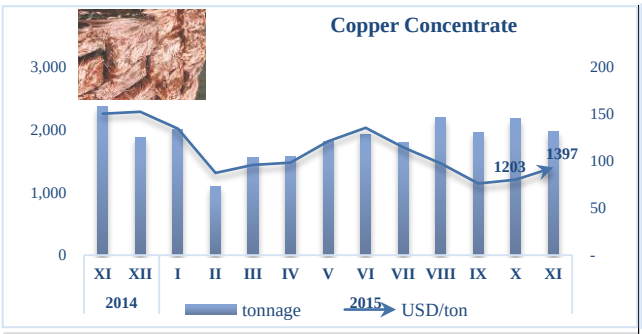
Housing price index **1.067**
decreased by 0.3% compared to the previous month and by 10.2% y.o.y respectively.

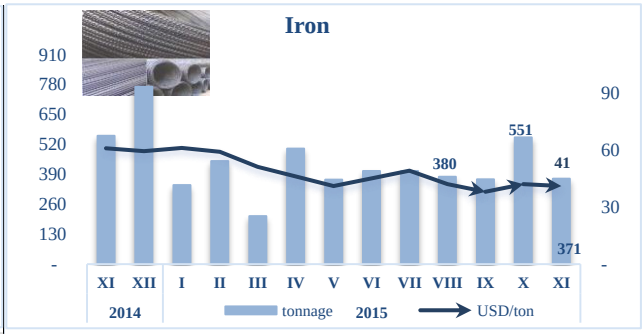
BoM policy rate **13%**

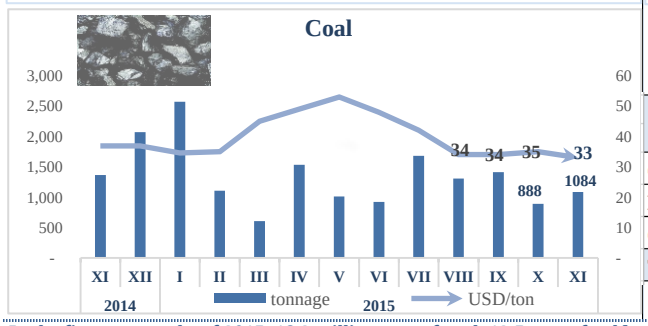
Mongolians celebrated the National Pride Day of Mongolia, which is 853rd anniversary of Birth of Great Chinggis Khaan on November 12, 2015 which marks the first day of the winter month in Mongolia lunar calendar. Public holiday on this National Pride day, government authorities hold to tribute to the Statue of Chinggis Khaan and "Chinggis Khaan" medal is awarded to a well-known author, writer and poet Mend-Ooyo Gombojav.

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)

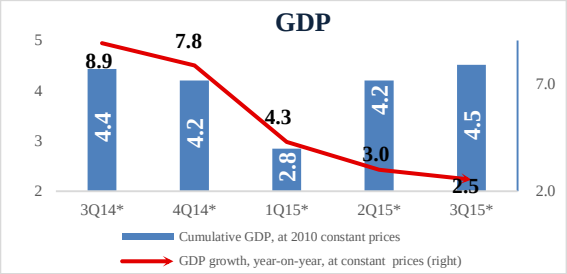
Major products	2012		2013		2014	
	Tons	USD	Tons	USD	Tons	USD
Coal	20574	1,880,396	18,194	1,116,153	1,106	850,615
Iron ore	6415	532,509	6725	654,333	8,338	448,378
Copper	575	838,780	650	948,951	1,378	2,575,636
Total	27564	3,251,685	25,569	2,719,437	10,822	3,874,629

Source: National Statistical Office

In the first ten months of 2015, 18.2 million tons of coal, 12.5 tons of gold and 975.8 thousand tons of oil were extracted in Mongolia. Over the same period, Mongolia produced 188.1 thousand tons of fluorspar in concentrate, 1,074.4 thousand tons of copper concentrate, 5.3 million tons of iron concentrate and 75.2 thousand tons of zinc concentrate. The country exported 1.2 million tons of copper concentrate, 4.0 million tons of iron ore, 9.5 tons of gold, 11.5 million tons of coal and 902.9 thousand tons of oil this year as rpeorted by the Ministry of Minig.

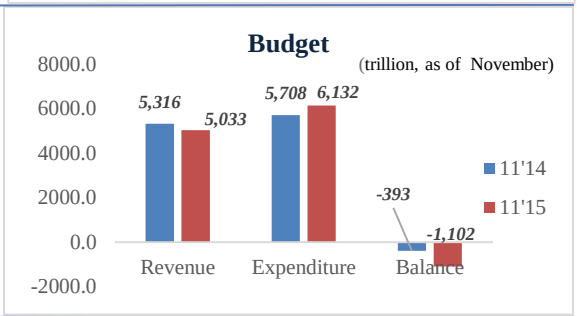
GDP

Cumulative GDP at constant prices in the third quarter of 2015 totalled MNT 11 trillion, MNT 286.4 billion or 2.5 percent increase compared to increase in the same period of the previous year. This comprised of increase in the agricultural sector by 12.8 percent and the services sector by 6.2 percent.



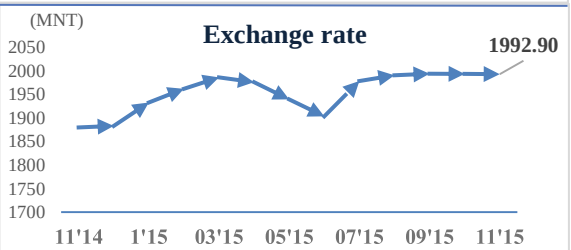
Budget

Cumulative state budget revenue (including aid) totalled MNT 5.3 trillion in November, while expenditure and net lending amounted to MNT 6.13 trillion. This resulted in general government deficit of 1102.2 billion. Deficit increased by MNT 709.4 billion from the same period of the previous year caused by the increase of 11 percentage higher than income growth.



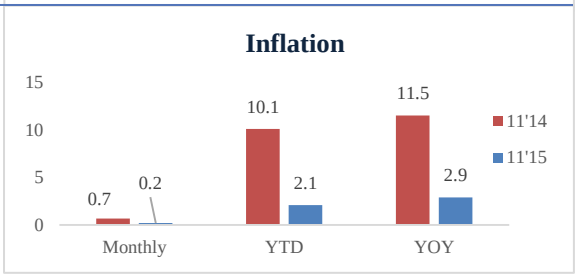
Exchange rate

In November, the Mongolian MNT further appreciated in the forex market, the average nominal exchange rate against US dollar was MNT 1992.90 This is a 6 percent or MNT 113.1 increase from the same period of the previous year; MNT 0.45 increase from the previous month.



Inflation

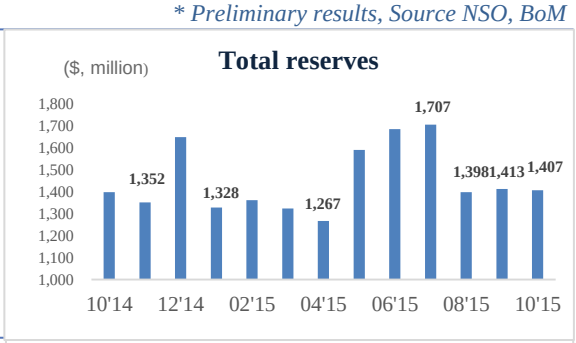
In November 2015, Consumer Price Index increased by 0.2 percent from the previous month, and rose by 2.1% compared to the same period of the previous year. An increase of 2.1 percent from the beginning of the year was mainly due to increases of 62.8 percent in education sector.



** Preliminary results, Source NSO, BoM*

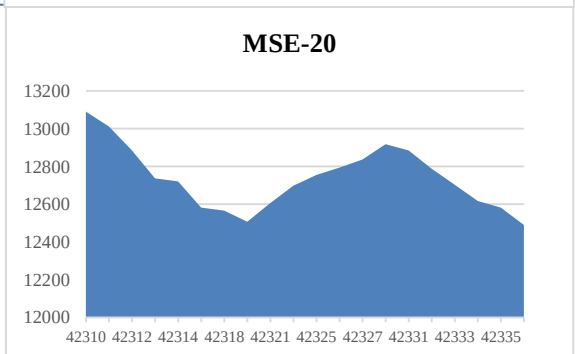
Foreign exchange reserves

As of October, 2015, foreign exchange reserves were USD 1.4 billion. This is a 0.4 percent, or US dollar 6 million decrease from the previous month and an increase 0.6% or $ 9 million compared to the same period of the previous year. A decrease of 14.7%, or US dollar 243 million compared to the beginning of the year.



MSE-20 index

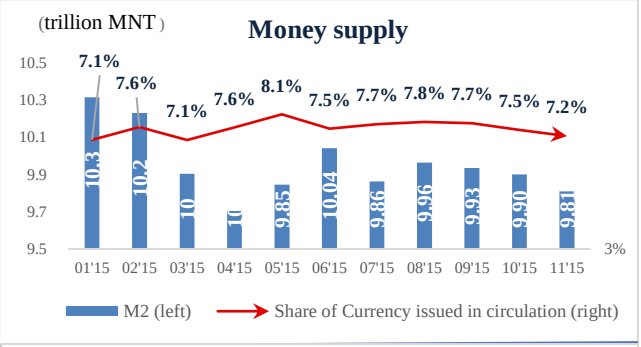
Total value of securities traded in November were MNT 839.8 billion, with over 29.7 million transactions. This is a 671.5 billion, or 5 times increase. Number of traded securities decreased by 14.7 million or 33.1 percent compared to the same period of the previous year. The Top-20 index in November 2015 was 12738 a decrease of 387.1 and 2422.5 points from the previous month and same period of the previous year, respectively.



** Mongolia Stock Exchange*

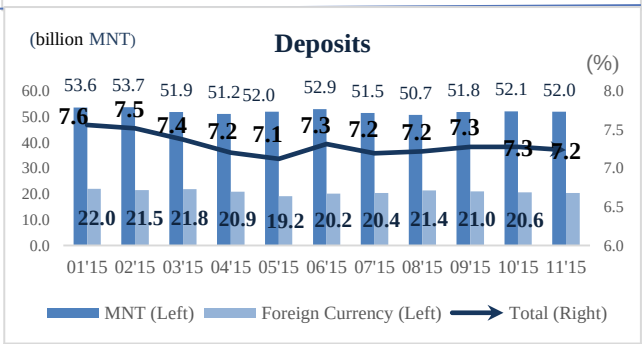
Money

M2 Money supply at the end of November 2015 totaled MNT 9.8 trillion, a decrease of 90.9 billion or 0.9%, from the previous month and a decreased by 118.8 billion or 1.2 percent from the same period of the previous year. In November, cash flows reached 710.5 billion. It is a decrease of 29.1 billion or 4.1% over the previous month and a decrease of 58.4 billion or 7.6% from the same period previous year, respectively.



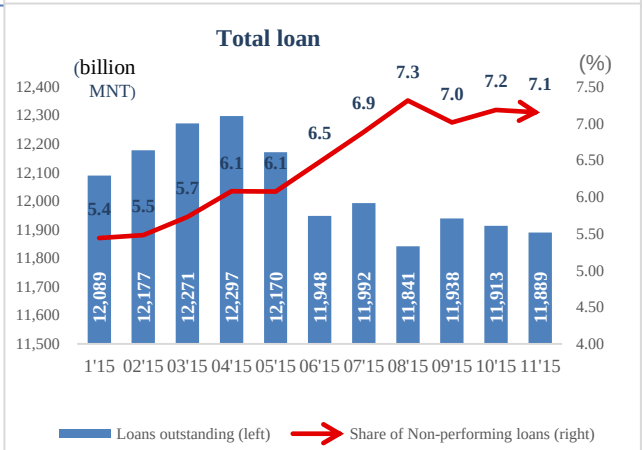
Deposits

Total deposits were MNT 7.2 trillion in November 2015, a decrease of 42.5 billion or 0.4 percent from the previous month. This is an increase of 381.3 billion or 5.6 percent from the same period last year. Savings in local currency decreased by MNT 18.9 billion or 0.4 percent in local currency deposits where as foreign currency deposits decreased by 1.2 percent or MNT 23.7 billion.



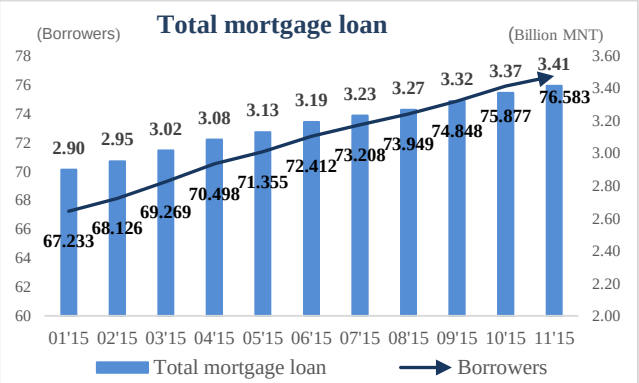
Loans

Total loans outstandings for businesses and individuals were MNT 11.8 trillion as of November 2015, which was a decrease of 24 billion or 0.2 percent from the previous month and a decrease of 759 billion, or 6% compared to the previous year. Non-performing loans amounted to 850 billion. A 0.2% (6 billion) decrease from the previous month and increased by 37.1% (230 billion) the same period of the last year. Share of non-performing loans has made up 7.1% of the total loans.



Mortgage

As of November 2015, total value of outstanding mortgage loans rose by 1.3 percent (42.4 billion) from the previous month and increased by 23.5 percent (650.3 billion) from the same period of the previous year, reaching MNT 3.4 trillion. In November, MNT 42.4 billion mortgage loan was granted to 706 applicants and the total number of borrowers reached 76583. The ratio of mortgage loans between MNT and foreign currency is presently 98.5/1.5% in favor of domestic currency, and the total market share of non-performing mortgage loans reached 0.7 percent.

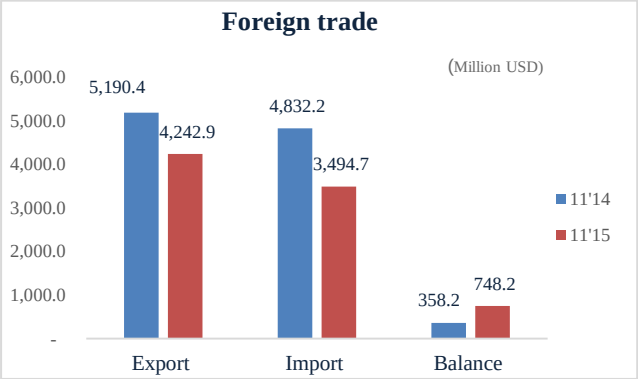


** Source Bank of Mongolia*

Foreign Trade

Foreign Trade

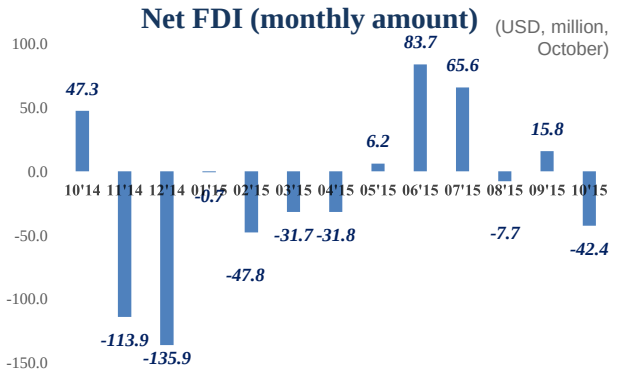
In November 2015, total trade turnover reached USD 7 billion, of which export totaled USD 4242.9 million and import amounted USD 3494.7 million resulting in foreign trade surplus of 748.2 million. Compared to the previous year, total turnover decreased by USD 2285 or 22.8 percent, imports and exports decreased by USD 947.5 million or 18.2 % and USD 1337 million or 27.6 percent, respectively. The decrease in export was attributable to mineral products exports and non-woven product.



** Source NSO, BOM*

Foreign direct investment

Net Foreign Direct Investment inflows in October amounted to USD 54.5 million. This is an increase by USD 168.4 million compared to the same period of the previous year. Investments outflow was equated to USD -0.3 million, while investment inflows amounted to USD -12.5 million.

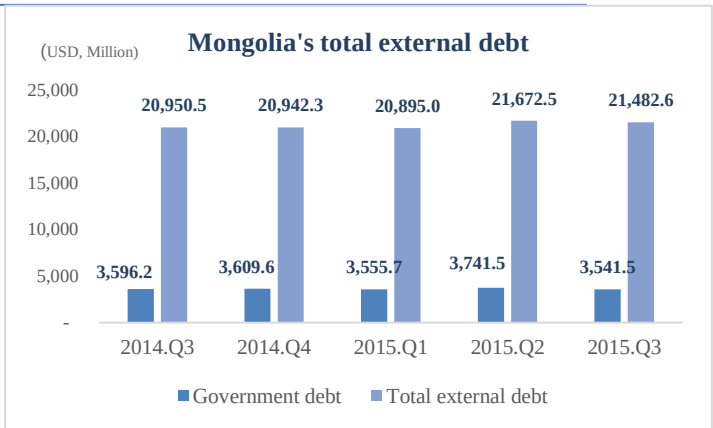


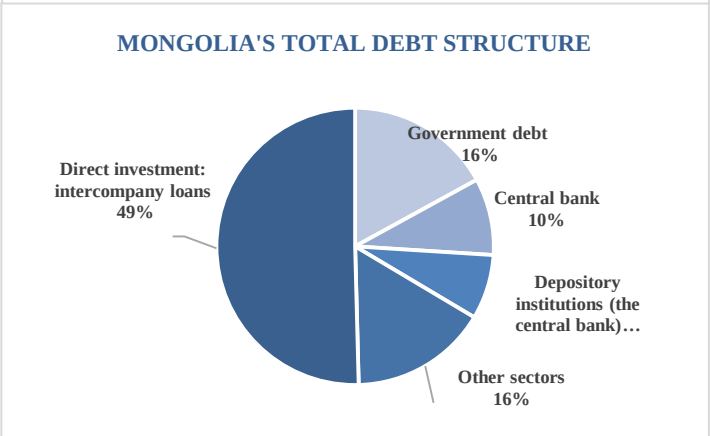
** Source NSO, BOM*

Mongolia's foreign debts

External debt

In the third quarter of 2015, Mongolia's total public foreign debt is worth 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 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*

Highlights of the month

11.11	"Annual Risk Management Forum 2015" was organized by the Mandal General Insurance LLC in cooperation with Golomt bank and Business Council of Mongolia for the sixth time.
11.18-19	President of Mongolia H.E.Mr.Elbegdorj Tsakhia paid an official visit to the French Republic at the invitation of the French President H.E. Mr. Francois Hollande on November 18-19, 2015. During the visit, the two Presidents held official talks and President Elbegdorj met with the President of the French Senate H.E. Mr. Gerard Larcher and French Minister of Foreign Affairs and International Development H.E. Mr. Laurent Fabius. This visit is coinciding with the 50th anniversary of the establishment of diplomatic relations between the two countries.
11.24	The European Bank for Reconstruction and Development (EBRD) and Khan Bank, one of the largest commercial banks in Mongolia, have signed a package of facility agreements for a total amount of USD 70 million to support Mongolia's micro, small- and medium-sized enterprises (MSMEs) and facilitate trade finance.

Overview

The state visit of President H.E Ts.Elbegdorj to the People's Republic of China

At the invitation of the President of the People's Republic of China H.E Mr.Xi Jinping, the President of Mongolia Elbegdorj Tsakhia paid a State Visit to China from November 9 to 11, 2015. During the visit, President Elbegdorj held official talks with President Xi Jinping and meet with Chairman of the Standing Committee of the National People's Congress Zhang Dejiang and Premier of the State Council Li Keqian. On the sidelines of the State Visit to the People's Republic of China, the President of Mongolia Tsakhiagiin Elbegdorj attended the signing ceremony of the bilateral cooperation documents. The plenary meeting also passed a draft law on ratifying a general credit agreement of USD 1 billion which was established between the Mongolian government and the Export-Import Bank of China.

Copper Smelter to be established in Bor-Undur region

Minister of Industry Erdenebat.D reported that copper-processing plant based on Tsagaan Suvarga and Oyu Tolgoi is going to be established in Bor-Undur region. With the establishment of copper purifying and smelting plant, it will generate 23 percent profit margin. Also, the feasibility study suggests that the project is going to reach the breakeven within first 9 years.