ECONOMIC POLICY AND COMPETITIVENESS RESEARCH CENTER

MONGOLIA: MONTHLY MACROECONOMIC OVERVIEW

April 2016

Indicators:

GDP growth of **3.2 percent** Q1 2015 (YoY)	FDI reached **USD 61.8 million** (in March 2016)	Budget deficit **MNT -663 billion**	Inflation **2.1 percent**	Non-performing loans increased by **MNT 1065 billion**	**USD 1.2 billion** in BoM foreign currency reserves in March
The mining sector grew by 130.5 the industry and construction sector by 9.4 percent, and the agricultural sector by 5.4 percent.	Net FDI increased by USD 93.6 million for the period compared to the previous year	MNT 1656 billion in revenue, MNT 2320 billion in expenditure and a balance deficit of MNTMNT -633 billion.	An increase of 1.4 percent on the previous month, and 2.1% compared to the same period of the previous year.	Non-performing loans increased by MNT 99 billion or 10.3 percent compared to the previous month reaching a total of MNT 1065 billion.	Decreased by USD 59 million or 4.4 percent on the previous month. The amount of foreign currency reserve reached USD 1265 million.

Average USD/MNT nominal exchange rate **2011.90 ₮**

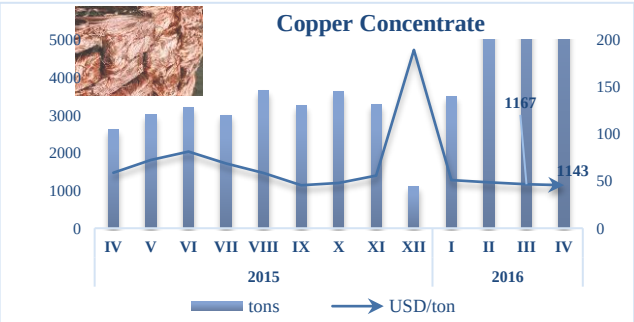
Housing price index **1.035** decreased by 0.9 percent compared to the previous month and decreased by 11.1 percent YoY

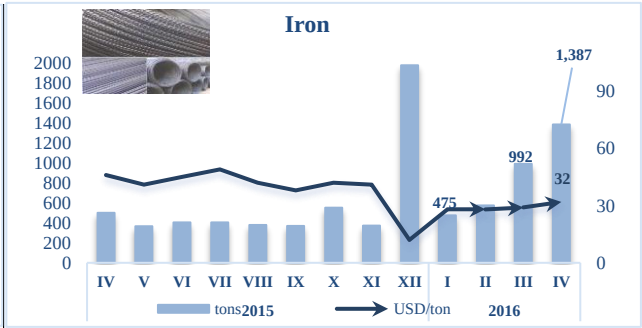
BoM policy rate **10.5 percent**

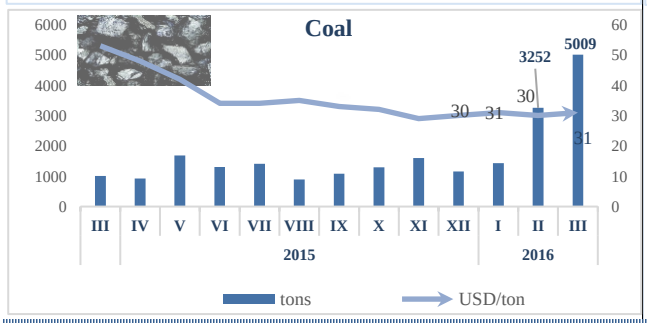
The Ninth Asia-Europe Parliamentary Partnership Meeting (ASEP 9) was held on 21- 22 April 2016 in Ulaanbaatar, Mongolia, under the theme "The role of Asia-Europe Parliamentary Partnership in ASEM". The meeting was opened and chaired by Mr. Z.Enkhbold, Chairman of the State Great Khural of Mongolia.

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	2013		2014		2015	
	Tons	USD	Tons	USD	Tons	USD
Coal	18,194	1,116,153	19,482	850,615	14,426	555,027
Iron ore	6725	654,333	8,338	448,378	6,325	227,200
Copper	650	948,951	1,378	2,575,636	1,379	2,280,135
Total	**25,569**	**2,719,437**	**29,198**	**3,874,629**	**22,130**	**3,062,362**

Source: National Registration and Statistics Office

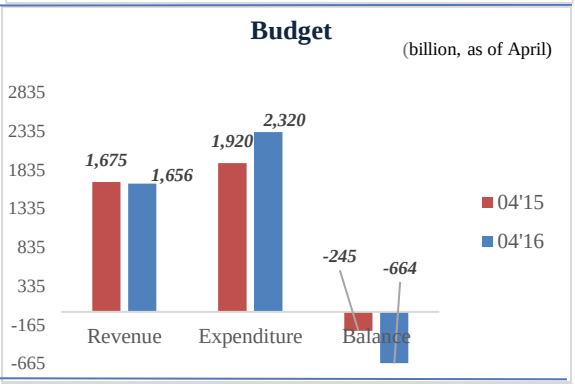
The national minimum wage has been set to 240,000 MNT as agreed by a three-party negotiation between the labor unions, employers and the Government of Mongolia. The new minimum labor wage will come into effect on 1 January 2017.

GDP

Cumulative GDP at constant prices in the fourth quarter of 2015 reached MNT 2.9 trillion, an increase of MNT 91.3 billion or 3.2 percent compared to the same period of the previous year. For the same period, the mining sector grew by 130.5 percent, the industry and construction sector by 9.4 percent, and the agricultural sector.

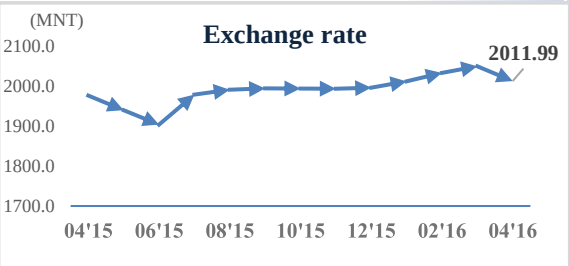
Budget

Cumulative state budget revenue (including aid) totalled MNT 1656 billion in April, while expenditure and net lending amounted to MNT 2320 billion. This resulted in a general government deficit of MNT (663) billion. Total expenditure and net lending of the General Government Budget reached MNT 418.8 billion. This has decreased by 1.1 percent compared to the same period last year.



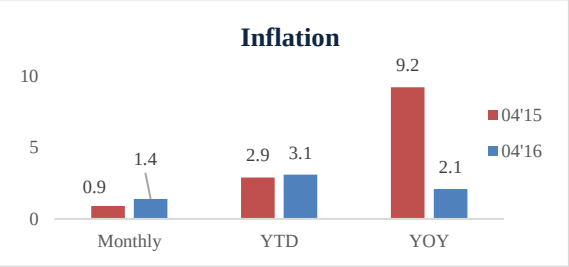
Exchange rate

In April, the MNT further depreciated against the USD. The average nominal exchange rate against US dollar was MNT 2011.99. This is a 1.8 percent or MNT 36.1 increase from the same period of the previous year; a 1.8 percent or MNT 36.9 decrease from the previous month.



Inflation

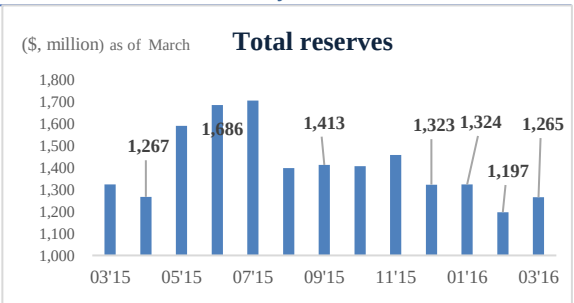
In April 2016, the Consumer Price Index increased by 1.4 percent on the previous month, and rose by 3.1 percent compared to the same period last year. An increase of 2.1 percent was mainly due to increases of 61.1 percent in education and 26.5 percent in clothing, footwear and cloth.



** Preliminary results, Source NRSO, BoM*

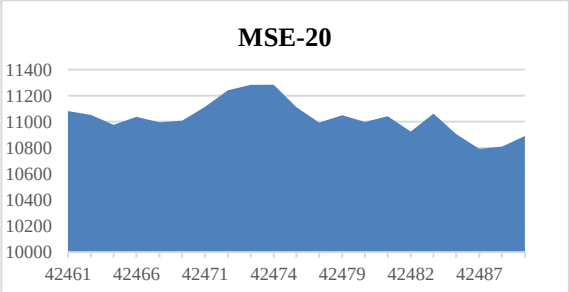
Foreign exchange reserves

As of March, 2016, foreign exchange reserves were USD 1265 million. This is a 5.6 percent, or USD 68 million increase on the previous month and a decrease 4.4% or USD 59 million compared to the same period of the previous year.



MSE-20 index

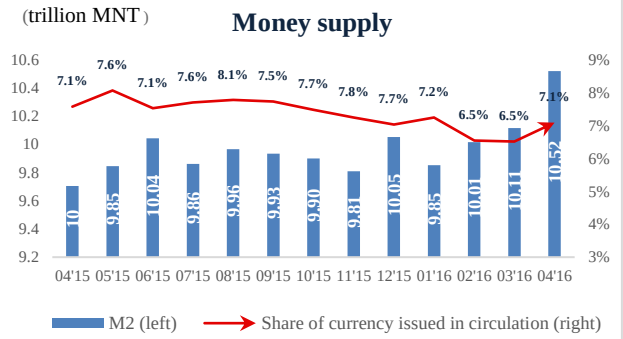
In April 2016, 10.2 million shares valued at MNT 46.6 billion were traded in the stock market. The securities traded decreased by MNT 30.9 billion or 3 percent compared to the last month and decreased by MNT 229 billion or 83.1 percent compared to the same period last year. The Top-20 index in April was 11019 points a decrease of 171 points and 2093 points, from the previous month and same period of the previous year, respectively.



** Mongolia Stock Exchange*

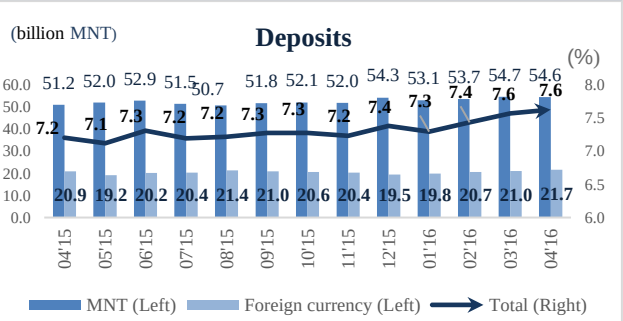
Money

M2 Money supply at the end of April 2016 totalled MNT 10.5 trillion, an increase of 404 billion or 4 percent on the previous month and increased by 813 billion or 8.3 percent on the same period last year. In April, cash flows reached 745 billion. This is an increase of MNT 86 billion or 13.1 percent over the previous month and an increase of MNT 10.1 billion or 1.3 percent on the same period last year.



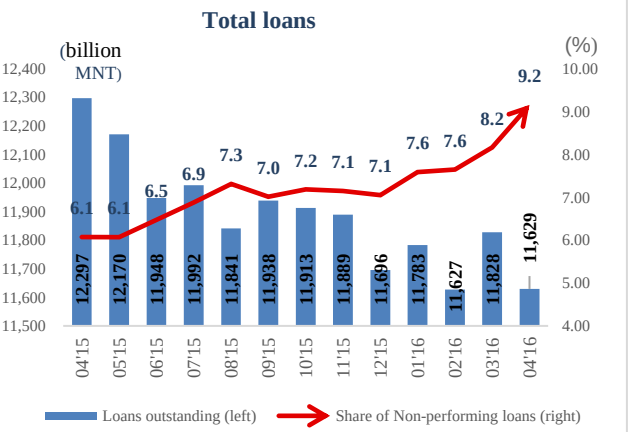
Deposits

Total deposits were MNT 7.6 trillion in April 2016, an increase of 57.1 billion or 0.8 percent on the previous month. This is an increase of MNT 426 billion or 5.9 percent on the same period last year. Savings in local currency decreased by MNT 6.4 billion or 0.1 percent whereas foreign currency deposits increased by 3 percent or MNT 63.6 billion.



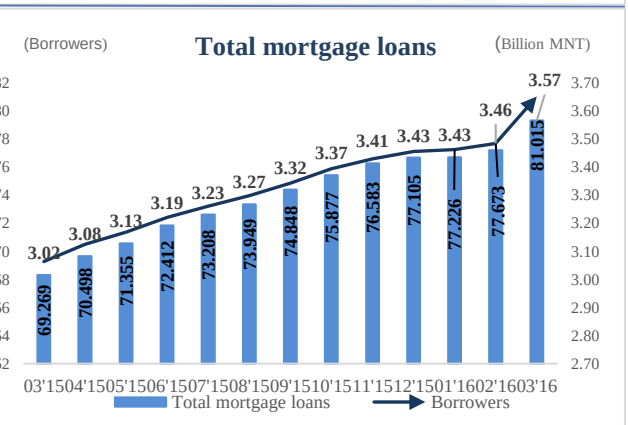
Loans

Total loans outstanding for businesses and individuals are MNT 11.6 trillion as of April 2016, which is decrease of MNT 198 billion or 1.7 percent on the previous month and a decrease of 667 billion, or 5.4 percent compared to the previous year. Non-performing loans amounted to MNT 1065 billion, a 10.3 percent (99 billion) increase on the previous month. This is an increase of 42.5 percent (MNT 318 billion) on the same period of last year. The share of non-performing loans made up 9.1% of total loans.



Mortgage

As of March 2016, the total value of outstanding mortgage loans rose by 3.1 percent (MNT 105 billion) on the previous month and increased by 18.2 percent (MNT 550 billion) from on the same period of the previous year, reaching MNT 3.5 trillion. In March, MNT 105.7 billion in mortgage loans were granted to 3342 applicants and the total number of borrowers reached 81,015. The ratio of mortgage loans between MNT and foreign currency is presently 98.8/1.2 percent in favor of domestic currency, and the total market share of non-performing mortgage loans reached 0.8 percent.

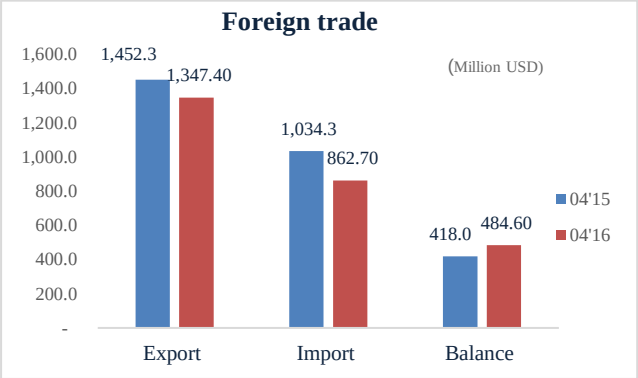


** Source Bank of Mongolia*

Foreign Trade

Foreign Trade

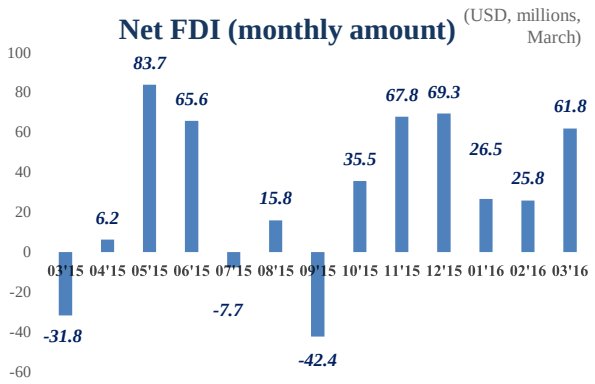
In April 2016, total trade turnover reached USD 2.2 billion, of which exports totalled USD 1.3 billion and imports amounted to USD 862 million, resulting in a foreign trade surplus of USD 484 million. Compared to the previous year, total turnover decreased by USD 276.5 million or 11.4 percent, exports and imports decreased by USD 104.9 million or 7 percent and USD 102.6 million or 16.5 percent, respectively. The decrease in exports is attributable to mineral products, metal products, machinery and mechanical appliances.



** Source NRSO, BOM*

Foreign direct investment

Net Foreign Direct Investment inflows in March 2016 amounted to USD 61.8 million. This is an increase by USD 93.6 million compared to the same period of the previous year, and an increase of USD 36 million from the previous month. Investments outflow equated to USD -1 million, while investment inflows amounted to USD 62.8 million.

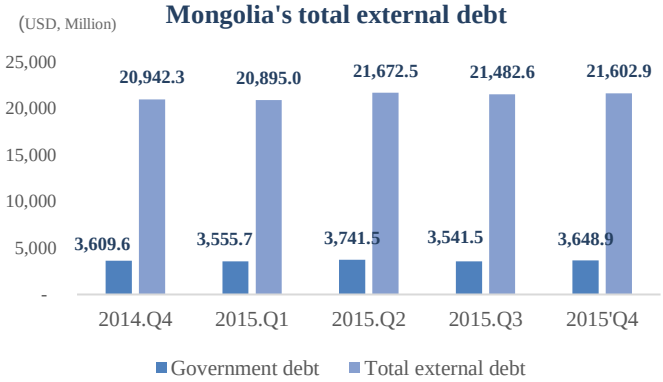


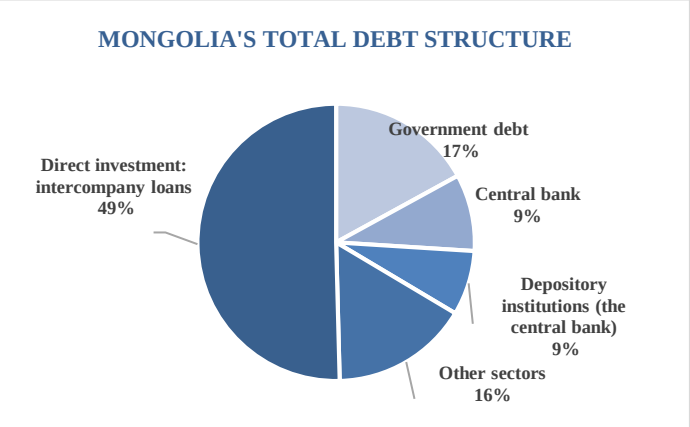
** Source NRSO,BOM*

Mongolia's foreign debts

External debt

In the fourth quarter of 2015, Mongolia's total public foreign debt stood at USD 3.6 billion. Mongolia's total external debt outstanding is USD 21.6 billion. Government debt decreased by 3 percent compared to the previous quarter (USD 120 million) and total external debt decreased by 0.5 percent on the previous quarter (190 million). Of the total debt, 17 is attributable to the government, 9 percent to the central bank, 9 percent to depository institutions, 16 percent to other sectors, and 49 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**	**Stable**	**B**	**Negative**
Date	**2015.11.05**		**2013.12.13**	

Standard & Poor's downgraded Mongolia's sovereign rating from +B grade to B grade in November 2015. 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 is a non-manufacturing sector. It causes financial instability in the economy, which was the main reason for being listed among risky countries.

Moody's :

Moody's credit rating for Mongolia has not changed since July 2014, with a B2 classification and a negative outlook.

Date	Credit ratings	Perspective
December 4, 2005	**B1**	**Stable**
June 10, 2009	**B1**	**Negative**
October 30, 2009	**B1**	**Stable**
May 26, 2014	**B1**	**Negative**
July 17, 2014	**B2**	**Negative**

Moody's international credit rating for Mongolia was reduced from B1 to B2 on July 17, 2014. The cited reasons were (i) a sharp deterioration in Mongolia's external liquidity position - a substantial increase in Mongolia's foreign debt in recent years, high inflation and a large increase in the amount of non-performing loans in the banking system, and (ii) an expansionary fiscal stance. At the same time, Moody's issuer and bond ratings of B1 was also downgraded to B2. The senior unsecured rating of the government-owned Development Bank of Mongolia was reduced to B2, with Moody's indicating that "since DBM's payment obligations carry a credit guarantee of the Government of Mongolia, its debt obligations justify a rating at the same level".

Moodys has indicated that Mongolia will remain on a negative outlook due to (i) inadequate foreign currency reserves, (ii) unsustainable credit growth and inflationary pressures and (iii) unsustainable off-budget fiscal expenditure.

Highlights of the month

04.05-08	Prime Minister of Mongolia Saikhanbileg.Ch participated in the Asian Investment Conference as a keynote speaker. The Asian Investment Conference was held by the Credit Suisse on April 5-8, 2016 in Hong Kong. This year's conference welcomed 2,800 institutional investors and high-net-worth individuals, representing some $18 trillion in assets under management.
04.14	At the invitation of H.E. Mr. Lundegiin Purevsuren, Minister of Foreign Arrairs of Mongolia, H.E. Mr. Sergei Lavrov, Minister of Foreign Affairs of the Russian Federation paid an official visit to Mongolia. During the official visit, Russian Foreign Minister Sergey Lavrov, was received by the President of Mongolia Ts.Elbegdorj and Prime Minister of Mongolia Ch.Saikhanbileg.
04.18-22	Speaker of the Lower House (Lok Sabha) of the Indian parliament Ms Sumitra Mahajan paid an official visit to Mongolia on April 18-22 at the invitation of Z.Enkhbold, the Chairman of the State Great Khural.

Overview

Granting a loan of USD 300 million to Mongolia has been approved

An agreement granting a loan of USD 300 million to Mongolia was established between the Development Bank of Mongolia and the VTB Bank of Russia. This loan is projected to be used for Mongolian importers of petroleum products from Russia and for financing of Mongolian entities. In addition, the loan with a 36-month term could be taken in several parts in connection with an oil import by Mongolia. By doing so, the petroleum importers will be provided with a sustainable financing source, and the currency flow to the payment of monthly oil products can be prolonged.