MONTHLY MACROECONOMIC OVERVIEW

September 2019

MAIN INDICATORS

Compared with August 2019

GDP
7.3%
QII 2018 (YoY)

INFLATION
9%
(YoY)

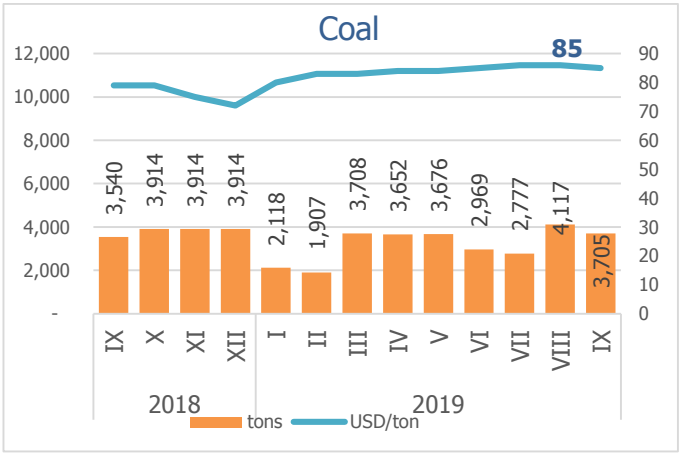
USD/MNT EXCHANGE RATE
2669.68MNT

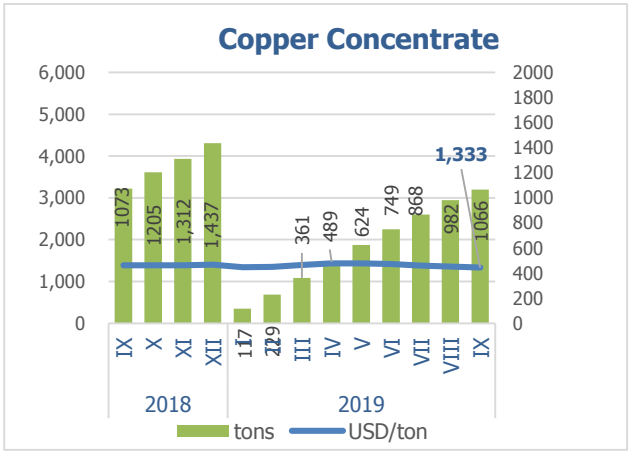
BUDGET DEFICIT
MNT 484 billion

FOREIGN TRADE
USD 1347 million

MAJOR EXPORT COMMODITY PRICES AND VOLUMES

Monthly export volumes and prices over the past 12 months.





Source: National statistical office of Mongolia

OTHER MONTHLY INDICATORS

FOREIGN CURRENCY RESERVES
USD 3.9 billion

TOTAL DEPOSITS
MNT 13.7 trillion

% OF NON-PERFORMING LOAN
11%

CURRENCY IN CIRCULATION
MNT 889 billion

ECONOMIC FORECASTS FOR MONGOLIA

GDP growth: in 2019: +6.7%, in 2020:+6.3%
Inflation: in 2019: +8.5%, in 2020: 7.5%
Current account balance: in 2019: -9.6% of GDP, in 2020: -13% *according to a new Asian Development Bank (ADB) report (2019).*

Source: https://bit.ly/2HJFlip

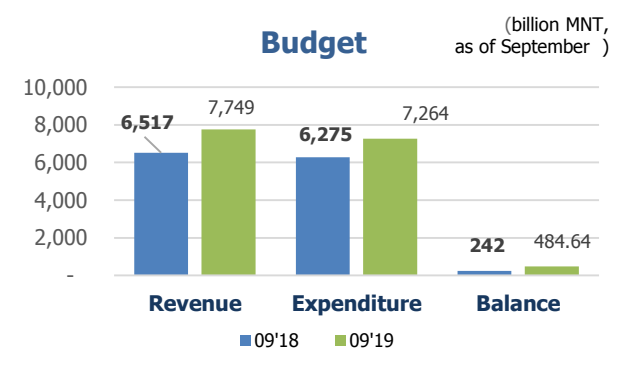
GDP growth: in 2019: +6.3%
Inflation: : in 2019: +7.1%
Current account balance: in 2019: -10.8% of GDP- *by IMF (World Economic Outlook, 2019)*

Source: http://bit.ly/2zsmvYo

ANALYSIS: STATE BUDGET, EXCHANGE RATE, INFLATION, FOREIGN TRADE

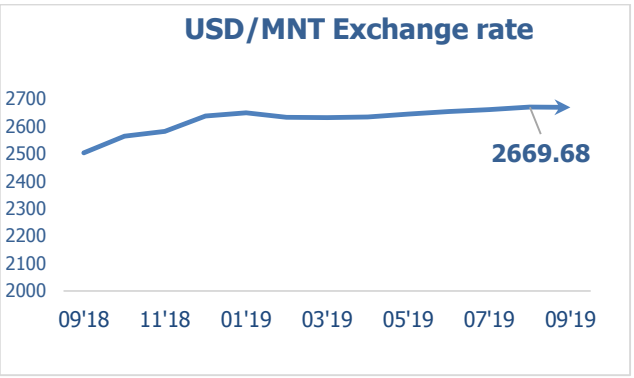
The budget deficit reached MNT 484 bilion

Government revenues increased by 18.9% and expenditures increased by 15.7% relative to the same period in 2018, resulting in a budget deficit of MNT 484 billion. The budget deficit has increased by 242 billion MNT from the same period in 2018.



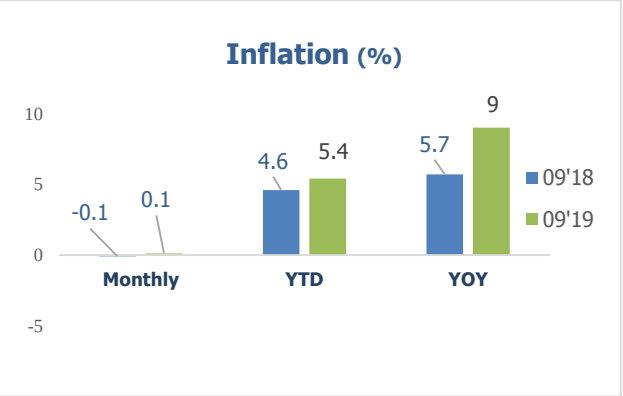
The USD exchange rate decreased by MNT 0.8

In September, the average nominal exchange rate against the US dollar was MNT 2669.68. This is a 6.6% or by 166 MNT increase from the same period in 2018, and a 0.03% or by 0.8 MNT increase from August 2019. In September, foreign exchange reserves reached 3.9 billion MNT an increase 37.7 percent from the same period in 2018, and 8 percent decrease from August 2019.



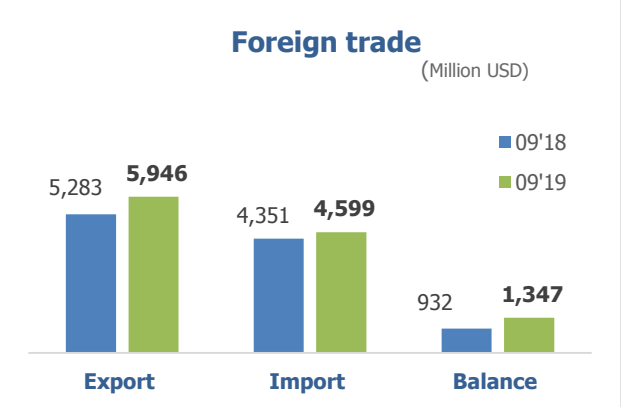
Inflation Rate increased 9%

In September, the national consumer price index increased by 0.1% compared to August 2019, and increased by 9% in the year to date. Annual inflation is 5.4%. The consumer price index has increased due to prices of food and beverages, prices of transport housing, electricity, medicine and medical services.

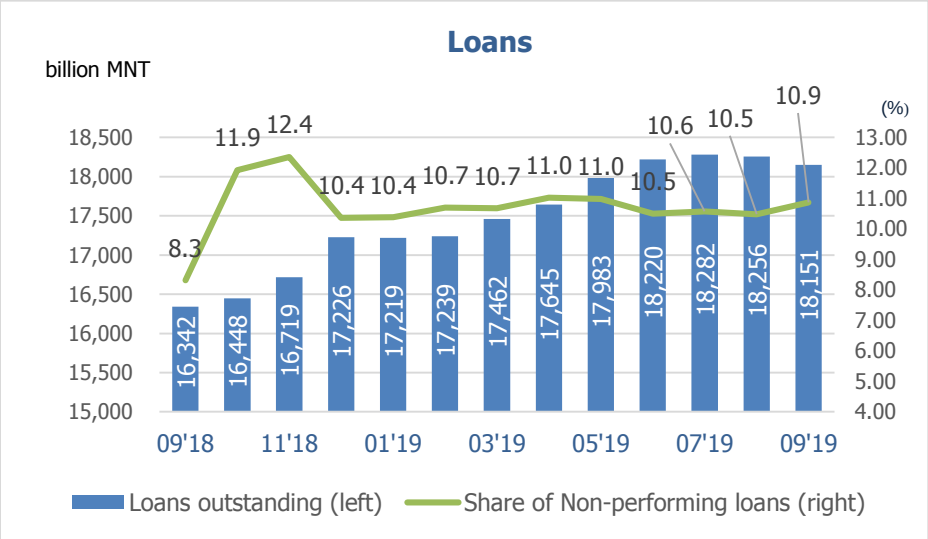


Trade Balance surplus reached 1347 million USD

Total turnover of foreign trade reached USD 10545 billion, a 9.4% increase compared to the same period in 2018. Exports increased by 12.5% from the last year, while imports increased by 5.6%. The trade surplus reached USD 1347 million.



SPECIAL FOCUS: DEPOSITS



Source: www.1212.mn

At the end of September 2019, the amount of outstanding loan to entities, enterprises and citizens amounted MNT 18.1 trillion, decreased by (0.6%) from the previous month and increased by 11.1% from the same period of the previous year. Non-performing loans amounted MNT 1973 billion, increased by 3.1% from the previous month and increased by 45.1% from the same period last year. The non-performing loans at the banking system makes up to 10.8% of total loans.

HIGLIGHTS OF THE MONTH

THE BALANCE OF PAYMENTS IS EXPECTED DEFICIT IN 2020.

The Monetary Policy Office of Mongolia has suggested `Nominal GDP is projected to be MNT 41.1 trillion in 2020. Real GDP, is projected to be 5.1-6.3%. Inflation expressed in the consumer price index is 8% at the end of 2019 and April 2020. The growth is projected to be 7.2% in the fourth quarter and the economy is projected to be 7% this year. Budget expenditure estimated to be 29.6 percent of GDP next year, total expenditure and net lending is 32.1 percent. "

MONGOLIA TO PAY $ 14 BILLION IN FOREIGN DEBT FOR NEXT FOUR YEARS

The coal border price is about USD 74 this year, USD 67 next year, copper is USD 6,000, the average gold price is USD 1350 this year, USD 1410 next year, and oil is about USD 64 out. Iron ore price is about USD 82 and will fall to USD 73 next year. Mongolia's external debt is USD 29.5 billion in nominal value, which is about 224 percent of GDP and 430 percent of its export revenue. Of that, government debt is about USD 2 billion. Half of total debt, USD 14 billion, will be repaid in 2020-2024. USD 14 billion is equivalent to triple our current foreign exchange reserves. The government is pursuing a strategy to pay off refinances in combination with refinancing to reduce the adverse effects of these debts on the economy.

Sources:

1. *Monthly bulletin of statistics, September 2019, National Statistics office of Mongolia*
2. *Monthly bulletin of statistics, September 2019, Mongolbank*
3. *www.1212.mn, www.mongolbank.mn; www.montsame.mn*