



“Mongolia Foreign Trade Review 1M2016”

Despite the fact that import has been going down along with exports, current balance is improving substantially.

Due to slump in minerals prices in international markets, Mongolian foreign trade is keeping deteriorating.

OT and TT resumption will boost the economy.

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Total trade turnover: USD 528.3 million

As of January 2016, the total cumulative trade turnover slumped by 26.6 percent (USD 191.8 million) on a year-on-year basis and amounted to USD 528.3 million. The decline in the trade turnover was mainly due to the plunges in exports by USD 143.6 million.

The structure of the trade flows with the neighboring trade partners is as following: (i) trade with China: 66.7 percent or USD 352.5 million and (ii) trade with Russia: 10.0 percent or USD 53.1 million. The trade volume between Mongolia and China decreased by 25.4 percent while the trade volume between Mongolia and Russia declined by 39.9 percent.

Table 1. The foreign trade performance (million USD)

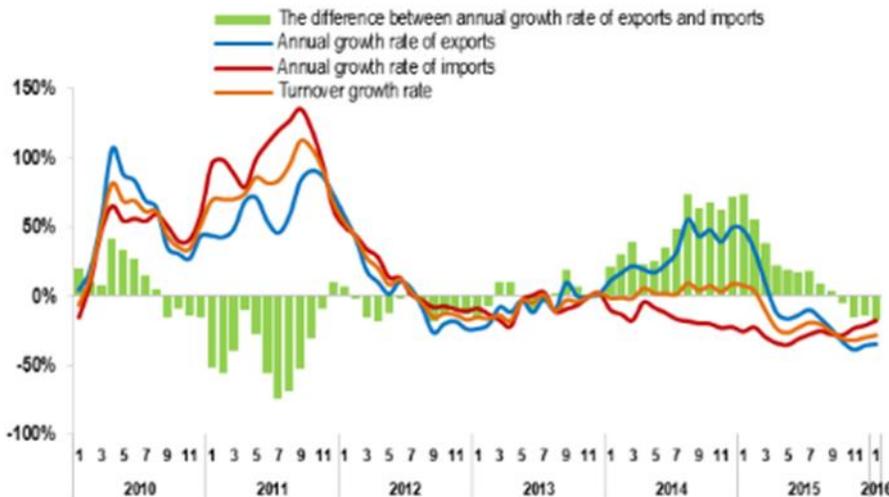
Type	First 1 month			Changes			
	2016	2015	2014	2016/2015		2015/2014	
				Дүн	Хувь	Дүн	Хувь
Turnover	528,3	720,0	658,3	(191,8)	-26,6%	61,7	9,4%
Export	329,1	472,7	321,2	(143,6)	-30,4%	151,5	47,2%
Import	199,1	247,3	337,1	(48,2)	-19,5%	(89,8)	-26,6%
Balance	130,0	225,4	(15,9)	(95,4)	-42,3%	241,3	

Trade balance: USD 130.0 million

As of January 2016, the cumulative trade balance worsened by USD 95.4 million on a year-on-year basis and amounted to USD 130.0 million. During the reported period, even though the total imports went down 19.5 percent on a year-on-year basis, exports plunged by 30.4 percent from that of the previous year, thus the trade balance worsened by USD 95.4 million.

The three-month moving average value of the difference between annual growth rates of exports and imports has been declining since the beginning of 2015. The high export growth rate during 2014 was due to the exports of copper concentrate and it began to stabilize.

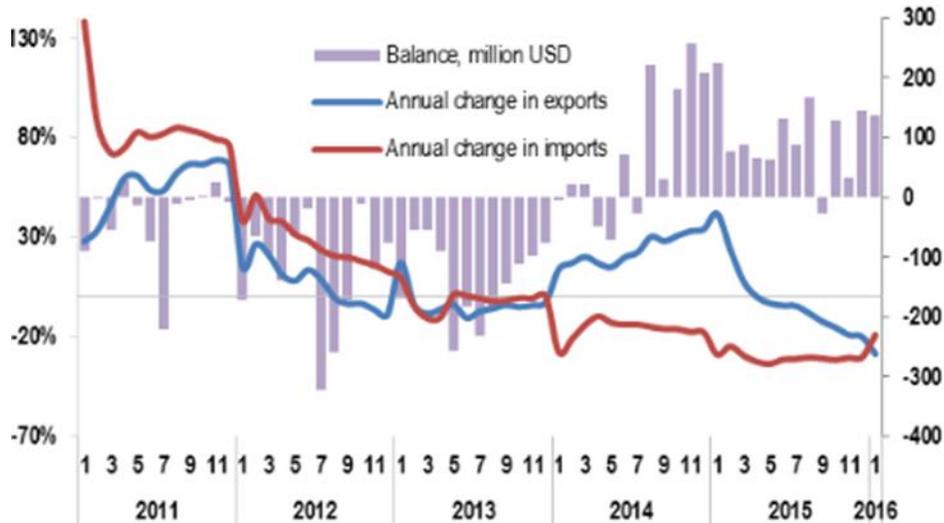
Picture 1. The growth rate of exports and imports (3 month moving average)



Trade balance of paid trade flows: USD 137.4 million

The state of the trade balance of paid trade flows is one of the main variables which determine the pressure on the domestic foreign exchange market. As of January 2016, the trade balance of paid trade flows amounted USD 137.4 million. During the reported period, paid imports slumped by 19.0 percent, and paid exports plunged by 28.7 percent on a year-on-year basis.

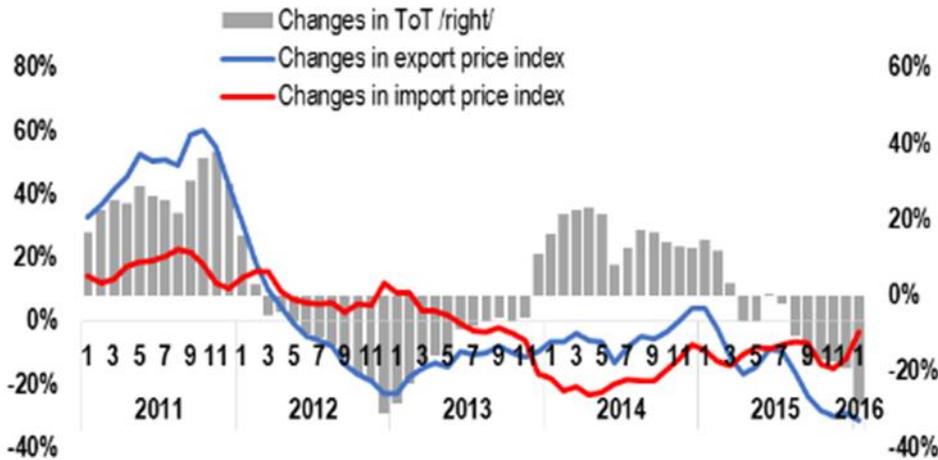
Picture 2. The trade paid in hard currency



Terms of trade: 1.117 (test estimation)

As of January 2016, terms of trade index (2012 base year) went down by 36.9 percent on a year-on-year basis and amounted to 1.117. This decline in the terms of trade is mainly attributed to the decrease in export price of copper concentrate, iron ore and crude oil.

Picture 3. Changes in terms of trade (3 month moving average)





EXPORT

Composition: 86 percent + 14 percent

The share of mineral exports in total exports went down by 3 percent from on a year-on-year basis. Exports of coal, copper concentrate, iron ore and concentrate and crude oil constitute a weight of nearly 76 percent of total exports and 88 percent of mining exports.

In addition, these 4 commodities' share in the mining exports increased by 2.0 points on a year-on-year basis, share in the total exports remained at the similar level.

Table 2. The performance of export of goods (million USD)

	2016			2015			Changes		
	Quan/unit (thou. tonnes, kg)	Amount	%	Quan/unit (thou. tonnes, kg)	Amount	%	Amount	%	% 2
1. Minerals		283	88%		419	89%	(135)	-32%	
Coal	1 156	34	10%	1 105	38	8%	(4)	-11%	-1%
Copper concentrate	140	176	54%	133	268	57%	(90)	-34%	-21%
Iron ore /conc.	475	13	4%	343	21	4%	(6)	-37%	-2%
Crude oil	779	25	7%	691	33	7%	(8)	-24%	-2%
Zinc ore/concentrate	3	3	1%	9	11	2%	(9)	-77%	-2%
Non monetary gold	715	25	8%	1 018	40	9%	(15)	-37%	-4%
Spar. leucine, nepheline	16	4	1%	18	4	1%	(8)	-10%	0%
Molybdenum ore/conc.	1	2	1%	0	3	1%	(2)	-44%	0%
2. Cashmere		2,1	1%		1,2	0%	1	78%	
Washed cashmere	-	-	0%	-	-	0%	-	-	0%
Combed cashmere	30	2	1%	11	1	0%	0.9	78%	78%
3. Other		44	13%		53	11%	(9)	-18%	
Total amount		329			473		(143,6)	-30,4%	

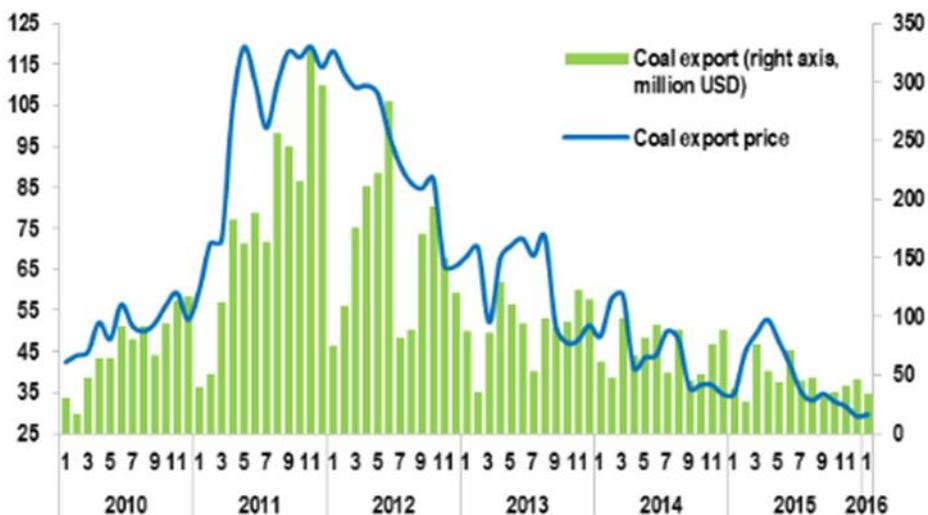
% 2 - Contribution to the growth

Growth: -30.4 percent

Mongolian export slumped by 30.4 percent from that of the previous year, which was mainly affected by decrease in commodity prices worldwide.

Coking coal, copper concentrate, iron ore and crude oil export declined by nearly 11 percent, 34 percent, 37 percent and 24 percent respectively, which accounted for 32 percent decrease in the growth of mining export.

Picture 4. Coal export, market price (USD)





Changes

In January 2016, Mongolian export declined by USD 143.6 million on a year-on-year basis. It is affected by the increase of export commodities' quantities (USD 6.4 million) and decrease in export commodities' prices (USD 150.0 millions).

Because of the increase in quantity of iron ore, copper concentrate and crude oil export, mining export went up by USD 26 million. On the other hand, because of decrease in prices of mineral exports, mining export went down by USD 145.0 million.

Cashmere, cashmere products' export increased by USD 1 million, while other exports decreased by USD 9 million.

Table 3. Changes in export goods (million USD)

	Changes in quantity	%	Changes in price	%	Total changes	%
1. Minerals	9		(145)		(135)	
Coal	2	42%	(6)	-142%	(4)	-11%
Copper concentrate	14	15%	(104)	-115%	(90)	-34%
Iron ore /conc.	8	104%	(16)	-204%	(8)	-37%
Crude oil	4	52%	(12)	-152%	(8)	-24%
Zinc ore/concentrate	(7)	-86%	(1)	-14%	(9)	-77%
Non monetary gold	(12)	-80%	(3)	-20%	(15)	-37%
Spar, leucine, nepheline	(0)	-97%	(0)	-3%	(0)	-10%
Molybdenum ore/conc.	1	83%	(3)	-183%	(2)	-44%
2. Cashmere	2.3		(1.3)		1	
Washed cashmere						
Combed cashmere	2.3	241%	(1.3)	-141%	0.9	78%
3. Other	(5)	-56%	(4)	-44%	(9)	-18%
Total	6,4		(150,0)		(143,6)	

World market prices for primary commodities

On January 29 2016, gold price reached USD 1,118, decreased by 12.9 percent on a year-on-year basis and increased by 5.4 percent on a month-on-month basis.

As of Jan 29 2016, copper and iron ore prices amounted to USD 4,570 and USD 43.0, respectively. Copper price decreased by 17.5 percent on a year-on-year basis and by 2.9 percent on a month-on-month basis. Iron ore price declined by 32.8 percent on a year-on-year basis and by 2.3 percent on a month-on-month basis.

IMPORT

Composition: 37 percent + 29 percent + 15 percent

As of January 2016, 37 percent of total imports were consumer goods, 29 percent were capital goods and 15 percent were fuels.

Share of the capital goods in total imports decreased by 2 percent from on a year-on-year basis, while the share of consumer goods import increased by 3 percent.

Growth: -19.5 percent

Mongolian imports decreased by 19.5 percent on a year-on-year basis. Main contributors of this decrease were capital goods decrease, which equals to 4 percent of the total decrease and fuel imports which equals to 13 percent of the total decrease.

Capital goods and petroleum products imports decreased by 14 percent (USD 10 million) and 51 percent (USD 31 million) respectively. Thus total import went down on a year-on-year basis.

Table 4. The performance of import goods (million USD)

Types	2016		2015		Changes		
	Amount	%	Amount	%	Amount	%	%2*
Consumer goods	74	37%	84	34%	(10)	-12%	
Non-durables	43	21%	47	19%	(4)	-10%	-5%
Food	30	15%	33	13%	(3)	-10%	-4%
Medicinal and pharmaceutical products	4	2%	5	2%	(1)	-20%	-1%
Other non-durables	8	4%	8	3%	(0)	0%	0%
Durables	32	16%	37	15%	(5)	-14%	6%
Clothing	3	1%	4	1%	(1)	-17%	-1%
Household electrical appliances and furniture	6	3%	9	4%	(3)	-30%	-3%
Passenger cars and parts	18	9%	19	8%	(1)	-7%	2%
Other durables	4	2%	5	2%	(1)	-11%	-1%
Capital goods	58	29%	67	27%	(10)	-14%	
Machinery, equipment, supplies and vehicles	36	18%	40	16%	(4)	-10%	-6%
Vehicles other than passenger cars, parts	7	3%	6	2%	1	12%	1%
Machinery, equipment and supplies	30	15%	34	14%	(5)	-14%	-7%
Construction materials	14	7%	17	7%	(2)	-15%	-4%
Other capital goods	7	4%	10	4%	(3)	-29%	-4%
Intermediate goods and industrial materials	37	19%	34	14%	3	9%	
Food ingredients (w heat, malt etc)	5	3%	2	1%	4	222%	11%
Chemical products	5	3%	4	2%	1	21%	3%
Yarn, fabrics, textiles, leather	1	0%	1	0%	(0)	15%	1%
Electricity	11	5%	9	4%	2	22%	6%
Metal ores and scrap	0	0%	0	0%	(0)	-22%	0%
Other industrial materials	15	8%	18	7%	(3)	-19%	-10%
Fuels	30	16%	61	26%	(31)	-61%	
Diesels	14	7%	28	12%	(15)	-51%	-24%
Gasolines A92-95	11	6%	26	11%	(15)	-56%	-24%
Gasolines A80 and other fuels	4	2%	6	3%	(2)	-31%	-3%
Other	0	0%	1	0%	(0)		
TOTAL	199		247		(48)	-19.5%	

*2 Contribution to the growth

Breakdown

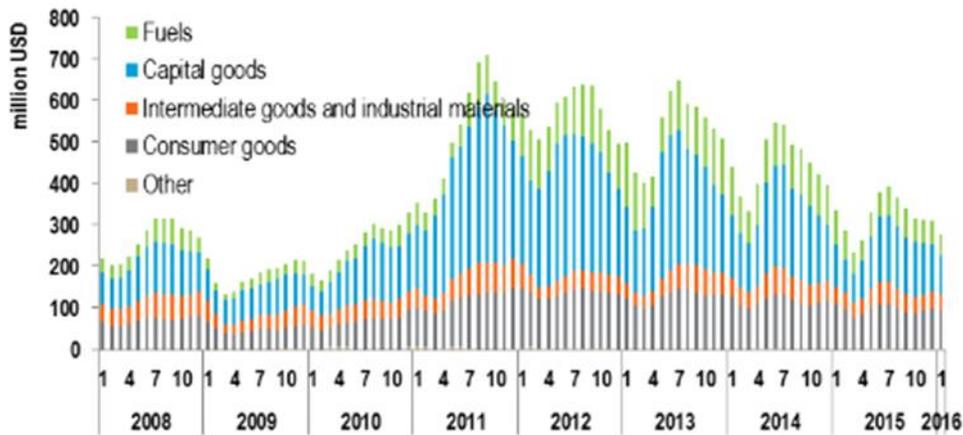
Main contributors of decrease in consumer goods import were both in durables and non-durables. Household electrical appliances and furniture import decreased by 30 percent (USD 3 million) and foods import declined by 10 percent (USD 4 million).

Capital goods import decreased by 14 percent (USD 10 million) which was mainly contributed by 10 percent decrease in machinery, equipment and supplies (USD 4 million). In addition, import of construction materials declined by 15 percent (USD 2 million) on a year-on-year basis.

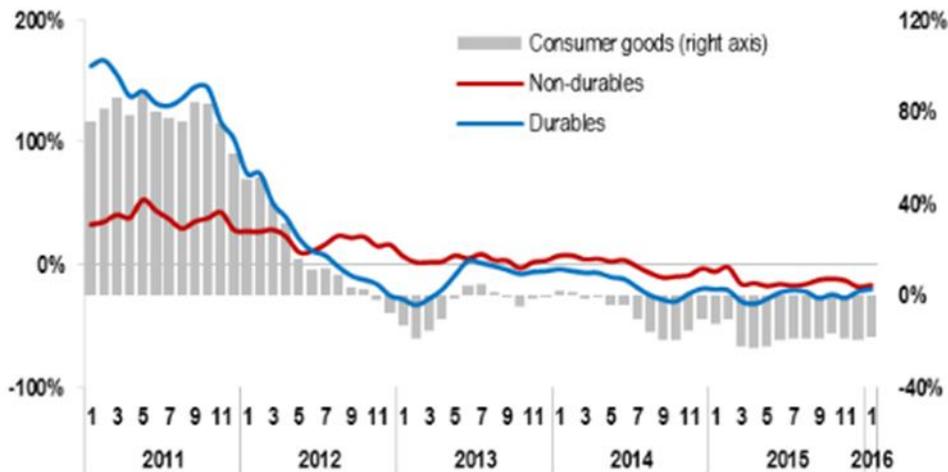
Intermediate goods and industrial materials import increased by 9 percent (USD 3 million).

Fuels import declined by 51 percent (USD 31 million). The border price of oil has been decreasing since the end of 2013 (Figure 8). In parallel with global oil market price, it declined sharply during last half year.

Picture 6. Breakdown of import 13 month moving average1



Picture 7. Import of consumer goods 13 month moving average1

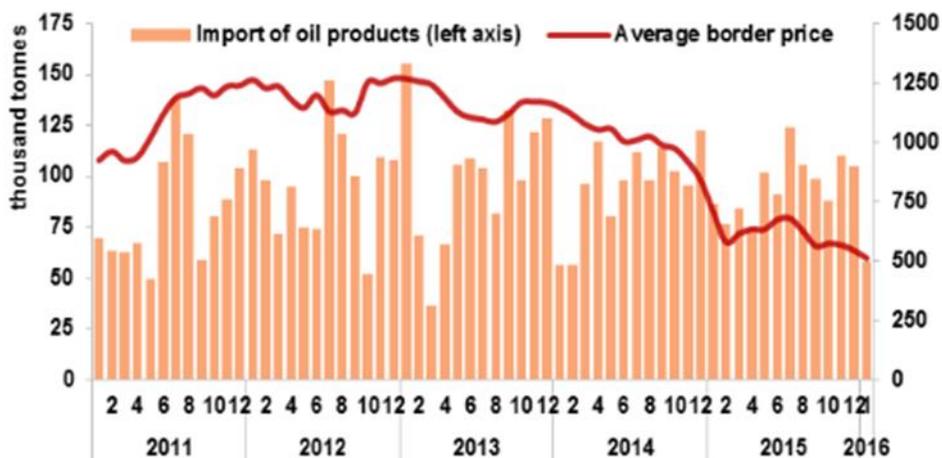


Import of the consumer goods

The growth of consumer goods import, calculated by 3 month moving average method, is constantly declining. /Figure7/.

Even though, the import growth of non-durable consumer goods was relatively stable, it started to decline by bigger phase in last 12 months.

Picture 8. Import of oil products, average border price



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