



"MONGOLIA MONTHLY ECONOMIC UPDATE 2M2016"

Although M2 increased in February 2016, the currency in circulation went down. Loans outstanding and principals in arrears are keeping increasing along with non-performing loan due to worsening situations in the Mongolian banking sector.

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According to report of the Bank of Mongolia, **money supply** (broad money or M2) reached to MNT 10.0 trillion at the end of February 2016, which increased by MNT 142.0 billion or 1.4% on a month-on-month basis, having decreased by MNT 237.7 billion or 2.3% on a year-on-year basis.

Money indicators, at end of month of selected years, bln.tog

Indicators	2015 II	2016 I	2016 II
Money M2	10 230.5	9 850.8	9 992.7
Time deposit total	7 515.3	7 297.3	7 421.3
Time deposit in DC	5 366.4	5 312.5	5 356.5
Time deposit in FC	2 148.9	1 984.8	2 064.8
Total loans outstanding	12 176.9	11 783.0	11 627.4
Principal in arrears	398.1	938.9	974.5
Non-performing loans	667.0	894.0	889.1
Rate of principal in arrears in total loans outstanding	3.3	8.0	8.4
Rate of non-performing loans in total loans outstanding	5.5	7.6	7.6

Source: Frontier Securities, NSO

At the end of February 2016, currency issued in circulation reached MNT 655.5 billion having decreased by MNT 58.2 billion or 8.2% on a month-on-month basis and decreased by MNT 120.4 billion or 15.5% on a year-on-year basis.

Loans outstanding reached to MNT 11.6 trillion, at the end of February 2016, having decreased by MNT 155.6 billion or 1.3% on a month-on-month basis and decreased by MNT 549.5 billion or 4.5% on a year-on-year basis.

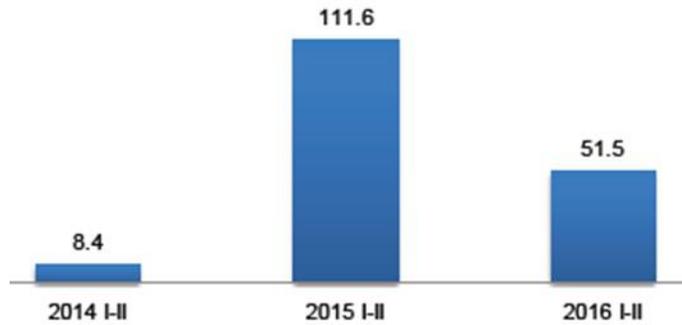
Principals in arrears amounted to MNT 974.5 billion at the end of February 2016, having increased by MNT 35.6 billion or 3.8% on a month-on-month basis, by MNT 576.4 billion or 2.4 times on a year-on-year basis.

At the end of February 2016, the non-performing loans over the bank system amounted to MNT 889.1 billion, having increased by MNT 4.8 billion or 0.5% on a month-on-month basis, by MNT 222.1 billion or 33.3% on a year-on-year basis.

In February 2016, 35.6 million shares were traded with value at MNT 51.5 billion in the stock market. The total turnover of stocks declined by MNT 60.1 billion or 53.8% and securities traded increased by 22.7 million shares or 2.8 times on a year-on-year basis.



**Total turnover of stocks,
 in the first 2 months of selected years, bln.tog**



Source: Frontier Securities, NSO

In the first two months of 2016, total equilibrated revenue and grants of the General Government Budget amounted to MNT 708.8 billion and total expenditure and net lending amounted to MNT 967.3 billion, having represented a deficit of MNT 258.5 billion in the equilibrated balance.

**Total equilibrated revenue, expenditure, equilibrated
 balance of General Government budget, in the first
 2 months of selected years, bln.tog**



Source: Frontier Securities, NSO

On a year-on-year basis, tax revenue decreased by MNT 27.4 billion or 4.2%. This decrease was mainly due to decreases of MNT 50.4 billion or 48.1% in other taxes and fees; by MNT 39.3 billion or 26.7% in income tax by MNT 3.2 billion or 9.1% in taxes on international trade and transactions, by MNT 0.7 billion or 36.1% in income of special purposes although social contributions, taxes on property, value added tax, excise taxes increased by MNT 3.6- 32.1 billion or 13.3-70.9% on a year-on-year basis.

In the first two months of 2016, total expenditure and net lending of the General Government Budget amounted to MNT 967.3 billion which increased by MNT 36.4 billion or 3.9% on a year-on-year basis.

This increase was mainly due to increases of MNT 86.5 billion or 11.0% in current expenditure, by MNT 20.2 billion or 6.1% in current transfers although there were decreases of MNT 73.2 billion or 45.1% in capital expenditure on a year-on-year basis.

In February 2016, Mongolia traded with 105 countries from all over the world and total external trade turnover reached USD 965.4 million, of which USD 613.3 million was made up by exports and USD 352.1 million by imports.



**Exports by some commodities,
 in the first 2 months of selected years**

	2015 I-II	2016 I-II	$\frac{2016 \text{ I-II}}{2015 \text{ I-II}}$ %
Coal	1 710.6	1 435.5	83.9
Copper concentrate	205.8	273.8	133.1
Iron ores	790.3	575.3	72.8
Crude petroleum oil (thous. barrel)	1 218.5	1 428.6	117.2
Zinc ores and concentrate	17.4	10.8	62.1
Gold, unwrought or in semi-manufactured forms,t	2.5	1.7	69.1

Source: Frontier Securities, NSO

External trade balance showed a surplus of USD 290.9 million in February 2015, and USD 261.2 million in February 2016.

In February 2016, the national consumer price index increased by 0.7% on a month-on-month basis, by 1.2% year-to-date, by 2.0% on a year-on-year basis.

An increase of 2.0% was mainly due to increases of 23.1% in education, 4.7% in clothing, footwear and cloth, and 4.5% in furnishings and household equipment.

National consumer price index, by group

	Weight	percent		
		2016 II 2015 II	2016 II 2015 XII	2016 II 2016 I
Overall index	100.0	102.0	101.2	100.7
Food and non-alcoholic beverages	29.3	97.4	105.5	103.4
Alcoholic beverages, tobacco	3.2	100.8	99.9	100.0
Clothing, footwear and cloth	18.1	104.7	100.4	100.2
Housing, water, electricity and fuels	12.3	99.8	97.5	98.1
Furnishings, household equipment	4.7	104.5	100.3	100.0
Health	3.6	105.4	102.2	101.2
Transport	12.2	98.9	98.5	99.3
Communication	4.4	99.1	99.9	100.0
Recreation and culture	2.8	101.7	99.9	100.0
Education	4.7	123.1	100.0	100.0
Restaurants and hotels	2.8	103.9	99.9	100.0
Miscellaneous goods and services	4.1	104.8	100.3	100.5

Source: Frontier Securities, NSO

The industrial production index (seasonally adjusted) was 116.2 (2010=100) in February 2016 which decreased by 9.1% on a month-on-month basis and increased by 19.0% on a year-on-year basis.



**Gross industrial output, in the first
2 months of selected years**

	2015		2016		2016 I-II 2015 I-II %
	II	I-II	II	I-II	
<i>Total</i>	504.9	1145.5	541.3	1183.4	101.8
<i>Mining and quarrying</i>	319.8	729.4	381.8	742.8	101.8
<i>Manufacturing</i>	112.6	267.4	91.7	239.1	89.4
<i>Electricity, thermal energy and water supply</i>	72.6	148.7	88.0	181.7	122.2

Source: Frontier Securities, NSO

In the mining and quarrying sectors the mining of products such as molybdenum with concentrate, coal, crude oil, copper with concentrate and gold increased by 6.8-65.4% and in the manufacturing sector the production of products such as milk, alcohol drinks, kind of sausage, pure water, copper 99%, metal sleeper, spirit, beauty cream, book, railway sleeper, printing plastic cards increased by 4.5% to 3.4 times on a year-on-year basis.

But in the mining and quarrying sectors the mining of products such as zincum concentrate, fluor spar concentrate, broken or crashed stone and iron ore decreased by 24.1-84.3% and in the manufacturing sector production of major commodities such as combed down, beer, bread, soft drinks, bakery products, buuz and dumpling, juice, fodder, sawn wood, vacuum windows and doors, cement and metal steel decreased by 4.1- 99.6%.

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