



MONGOLIA'S FOREIGN TRADE REVIEW

June 2013

Total trade turnover: \$5,095 millions

As of June 2013 the total cumulative trade turnover from the beginning of the year fell by 8% (USD 472.0 millions) from that of the previous year and reached USD 5,094.5 millions. The decrease in the trade turnover was due to the decrease in imports by USD 242.5 millions and in exports by USD 229.4 millions.

The annual growth rate declined by 26 percentage points from that of the previous year as a result of the decrease in the growth rate of imports by 29 percentage points and that of exports by 23 percentage points.

The structure of the trade flows with the neighboring trade partners is as following: (i) trade with PRC: 50% or USD 2,549.8 millions and (ii) trade with Russia: 15% or USD 750.3 millions. The trade volume between Mongolia and China decreased by 14% and the trade volume between Mongolia and Russia declined by 19%.

Trade balance: -\$1,047 million

As of June 2013, the cumulative trade balance decreased by 1% (USD 13.1 millions) from that of the previous year and reached USD -1,047.0 millions. Although during the reporting period the total exports decreased by 10% from that of the previous year the trade balance improved due to the decline in imports by 7% from that of the previous year.

The value of the three-month moving average of the difference of annual growth rates of exports and imports has been decreasing since September 2012 and as of June 2013 it is -1%. Picture 1 shows that the annual growth rates of exports and imports have been declining since October 2011. In beginning of 2013, it slightly increased, but since May, it has been declining again.

Trade balance of paid trade flows: -\$808 million

The state of the trade balance of paid trade flows is one of the main variables that determines the pressure on the domestic foreign exchange market.

As of June 2013, the trade balance of paid trade flows increased by 45% from that of the previous year and reached USD -808 millions. Paid imports during the reporting period increased by 0.5% which means that the rate of the decrease in paid exports is by 11 percentage points higher than that of imports.

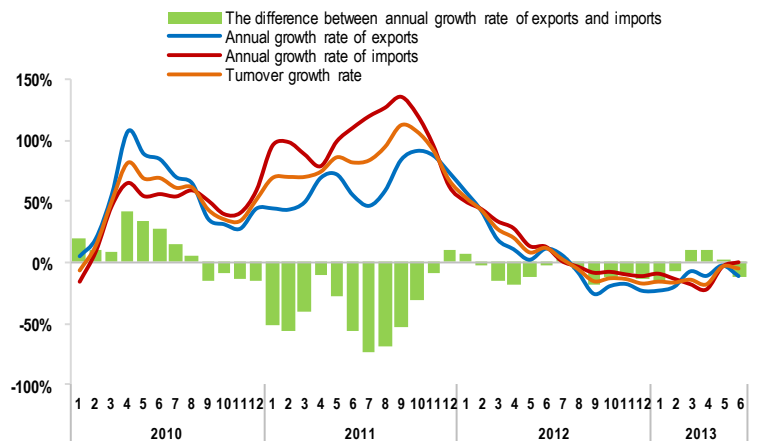
Terms of trade: 1.453

As of June 2013, terms of trade index (2000 base year) decreased by 8.2% from that of the previous year and reached 1.429. This decrease in the terms of trade is mainly attributed to the fall in export prices of exporting commodities.

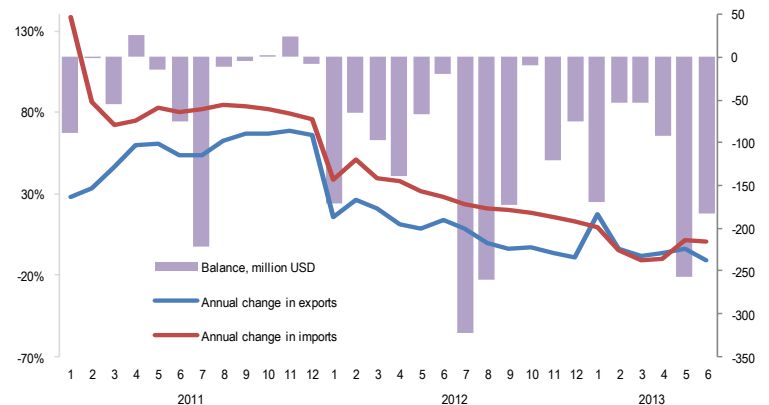
Table 1. The foreign trade performance /million USD/

Type	First 6 months			Changes			
	2013	2012	2011	2013/2012		2012/2011	
				Amount	%	Amount	%
Turnover	5 094,5	5 566,4	4 718,3	(472,0)	-8%	848,1	18%
Ex port	2 023,7	2 253,2	1 992,8	(229,4)	-10%	260,4	13%
Import	3 070,7	3 313,3	2 725,6	(242,5)	-7%	587,7	22%
Balance	(1 047,0)	(1 060,1)	(732,8)	13,1	-1%	(327,3)	45%

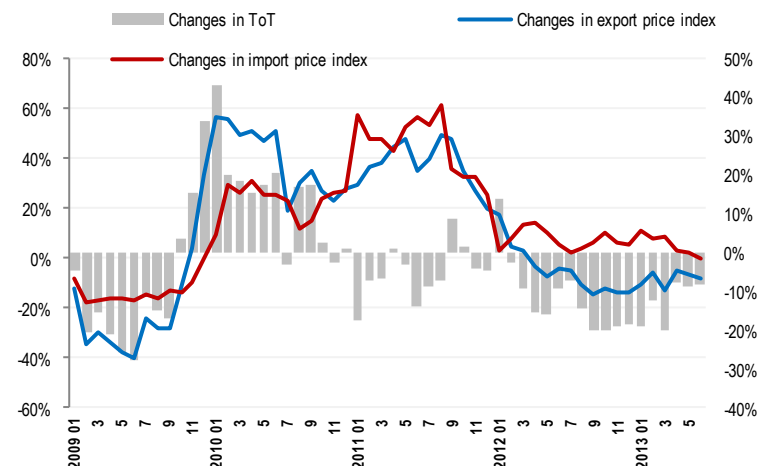
Picture1. The growth rate of exports and imports /3 month moving average/



Picture 2. The trade paid in hard currency



Picture 3. Changes in terms of trade



Composition: 87%+ 13%

The share of mineral exports in total exports was 87% of the total export and decreased by 4 points from that of the previous year.

Coal, copper concentrate, iron ore and concentrate and crude oil have a weight of nearly 74% of total export and 85% of mining export.

In addition, these 4 products share in the mining exports decreased by 7 points from that of the previous year, share in the total exports decreased by 10 points..

Growth: -10.2%

Mongolian export decreased by 10.2% from that of the previous year, which was mainly affected by 13% decrease in mineral exports. Exports of iron ore, concentrate, crude oil and non monetary gold increased by 43%, 34% and 197%, respectively, which accounting for 12% in growth of mining export. On the other hand, coal export decreased by nearly 50% and because of this mining export has decreased by 26% from the first 6 months of 2012.

Changes

In first 6 months of 2013, Mongolian export decreased by 55.7 million USD from that of the previous year. Main reasons were decrease in export commodities' prices by USD 152 millions and decrease of export commodities' quantities by USD 77 millions.

Because of the increase in crude oil, zinc ore, concentrate and non monetary gold quantities, total export would've increased by 173 millions USD. However, coal, crude oil, copper concentrate, monetary gold's prices, coal, copper concentrate and spar, leucine, nepheline' quantities decreased in reporting period, so total mining export decreased by 568 millions USD.

Cashmere and cashmere product exports' both prices and quantities increased by 47 and 22 million USD, respectively . For other exports, prices and quantities both increased, so total of other export increased by almost 22 millions USD.

World market prices for primary commodities

As of June 28 2013, gold price reached 1,334.5 USD, decreased by 11.0% from that of the previous year and decreased 22.7% from that of the last month.

As of June 28 2013, copper and zinc prices reached 6,731.0 and 1,821.0 USD, decreased by 12.5%, 3.2% from that of the last month, decreased by 7.6%, 3.8% from that of the previous year, respectively.

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

	2013			2012			Changes		
	Quan/unit (thou. tonnes, kg)	Amount	%	Quan/unit (thou. tonnes, kg)	Amount	%	Amount	%	% 2
1. Minerals	1 763	87%		2 061	91%		(299)	-14%	-13%
Coal	7 484	542	27%	10 151	1 076	48%	(534)	-50%	-26%
Copper concentrate	283	404	20%	286	422	19%	(18)	-4%	-1%
Iron ore /conc.	3 197	351	17%	3 180	246	11%	105	43%	5%
Crude oil	2 138	202	10%	1 533	151	7%	52	34%	3%
Zinc ore/concentrate	78	75	4%	58	56	2%	19	35%	1%
Non monetary gold	3 210	135	7%	1 048	46	2%	90	197%	4%
Spar, leucine, nepheline	142	36	2%	204	46	2%	(10)	-22%	0%
Molybdenum ore/conc.	2	16	1%	2	19	1%	(3)	-18%	0%
2. Cashmere	159,3	8%		112,4	5%		47	42%	2%
Washed cashmere	3 054	142	7%	2 333	93	4%	48,4	52%	43%
Combed cashmere	185	18	1%	211	19	1%	(1,5)	-8%	-1%
3. Other	102	5%		79	4%		22	28%	1%
Total amount	2 024			2 253			(229,4)	-10,2%	

% 2 - Contribution to the growth

Picture 4. Coal export, market price (USD)

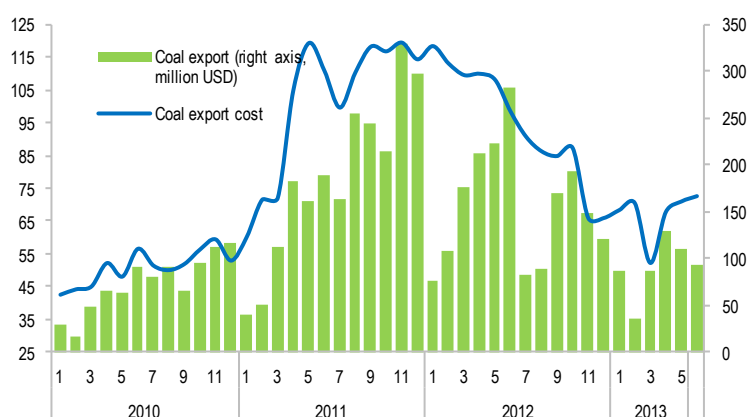
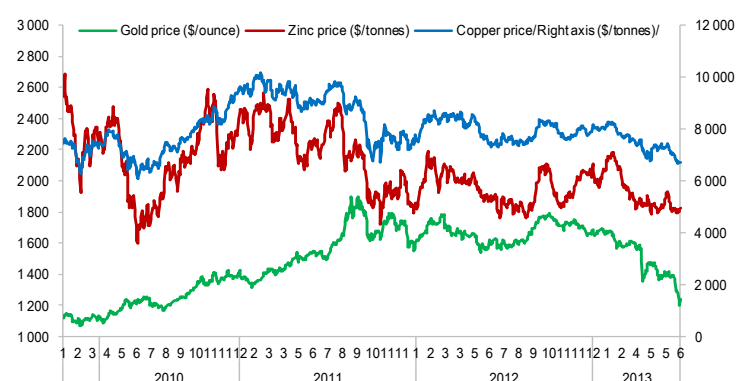


Table 3. Changes in export goods (million USD)

	Changes in quantity	%	Changes in price	%	Total changes	%
1. Minerals	(118)		(181)		(299)	
Coal	(283)	53%	(251)	47%	(534)	233%
Copper concentrate	(4)	23%	(13)	77%	(18)	8%
Iron ore /conc.	1	1%	103	99%	105	-46%
Crude oil	59	115%	(8)	-15%	52	-23%
Zinc ore/concentrate	19	99%	0	1%	19	-8%
Non monetary gold	94	105%	(4)	-5%	90	-39%
Spar, leucine, nepheline	(5)	52%	(5)	48%	(10)	4%
Molybdenum ore/conc.	0	-5%	(4)	105%	(3)	1%
2. Cashmere	28		19		47	
Washed cashmere	28,8	60%	19,6	40%	48,4	-21%
Combed cashmere	(0,9)	56%	(0,7)	44%	(1,5)	1%
3. Other	13	56%	10	44%	22	-10%
Total	(77,2)		(152,3)		(229,4)	

Picture 5. Market price of gold, zinc, copper



Composition: 26% + 21%

As of first 6 months of 2013, 47% of total imports were oil products and industrial inputs' imports, 15% were consumer goods and food imports, rest 38% were other products' import.

Share of oil products and industrial inputs' imports in total imports decreased by 1 points from the first 6 months of 2012. This decrease affected by industrial inputs' import, which decreased by 3 points, even though oil products' import increased by 2 points.

Growth: -7%

Mongolian imports decreased by 7% from that of the previous year. Main contributors of this decrease were industrial inputs' decrease, which equal to 4% of the total decrease, and decrease of other products' import and consumer goods import which equal to 1% , 1% of the total decrease, respectively.

Consumer goods and industrial inputs' imports decreased by 10% (41 millions USD) and 15% (147 millions USD) respectively, thus total import decreased from that of the previous year.

Changes

Prices and quantities of import goods both decreased by 79 and 157 millions USD respectively, thus total imports decreased by 236 millions USD from that of the previous year.

The primary reason behind the increase in imports of oil products was a increase of quantities by 17 millions USD, although oil price on the border decreased by 6 millions USD. The oil price on the border decreased in begin 2012 and the august 2012. Since then, the oil price increased slightly, but in 2013, it is decreasing slowly. (Figure 6).

Industrial inputs' imports price and quantity both decreased by 30% and 70%, respectively, thus industrial inputs' import declined by almost 147 millions USD. At the same time, 67% of decrease in consumer products' import were quantity related causes, 33% were price related causes, thus consumer products' import decreased by 41 million USD.

Import of the primary consumer products*

As of first 6 months of 2013, growth of primary consumer products' import, which calculated by 3 month moving average method, increased to 1%. import / Figure 7).

Annual growth of electronics import had been decreased from mid of 2012 year, but since April 2013, it has been increased slightly. In the other hand, passenger cars import had been decreased since beginning of 2011, but since beginning of this year it has been increased .

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

Types	2013			2012			Changes		
	Quant (unit, thousand of units)	Amount	%	Quant (unit, thousand of units)	Amount	%	Amount	Percentage	Percentage e2
Industrial inputs		810	26%		957	29%	(147)	-15%	-4%
Heavy mechanism, equipment	1 568	453	56%	6 197	587	61%	(134)	-23%	-14%
Cars other than passenger	467	290	36%	488	294	31%	(4)	-1%	0%
Ironwork, steel prod.	17 200	23	3%	17 237	27	3%	(4)	-15%	0%
Other products	56 819	44	5%	61 073	49	5%	(5)	-11%	-1%
Oil		650	21%		640	19%	11	2%	0%
Diesel fuel	319 683	375	58%	336 847	396	62%	(21)	-5%	-3%
A-92, A-95	127 613	154	24%	108 498	136	21%	18	13%	3%
A-80 and other	96 181	121	19%	81 766	107	17%	14	13%	2%
Consumer goods		370	12%		411	12%	(41)	-10%	-1%
Passenger car	23	197	53%	22	230	56%	(33)	-14%	-8%
Electronics	537	80	22%	502	84	20%	(4)	-5%	-1%
All types of medicine	961	33	9%	861	36	9%	(2)	-7%	-1%
Other consumer goods	7 458	59	16%	7 467	61	15%	(2)	-3%	0%
Nutrimet		82	3%		95	3%	(13)	-14%	0%
Powder, rice, bread	22 370	22	27%	60 909	34	35%	(12)	-35%	-12%
Dairy produce	2 679	9	11%	2 734	11	11%	(1)	-11%	-1%
All types of fat	11 785	15	19%	10 663	14	15%	1	8%	1%
Alcohol	14 022	12	15%	12 741	12	13%	(0)	0%	0%
Vegetable	36 236	7	9%	41 999	7	8%	(0)	-5%	0%
Other	29 762	16	20%	28 646	17	18%	(1)	-3%	-1%
Other imports		1 165	38%		1 211	37%	(46)	-4%	-1%
Other	1 165			1 211			(46)	-4%	-4%
Total amount		3 078			3 314		(236)	-7%	-7%

% 2 - Contribution to the growth

Picture 6. Import of oil products, average border price

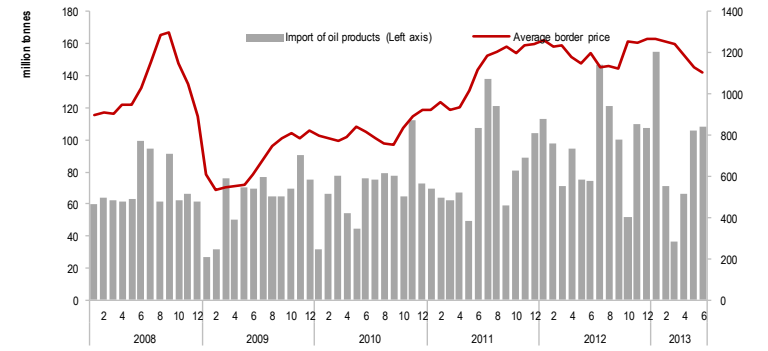
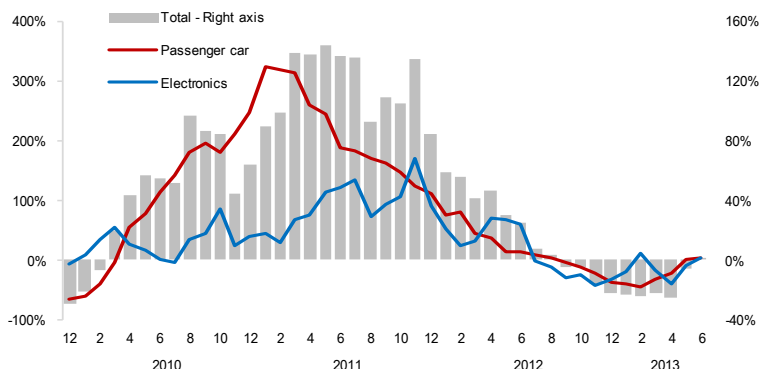


Table 5. Changes in import goods (million USD)

Types	Changes in quantity		Changes in price		Total changes	
	(million USD)	%	(million USD)	%	(million USD)	%
Industrial inputs	(102,9)	70%	(43,9)	30%	(146,8)	
Heavy mechanism, equipment	(93,4)	70%	(40,3)	30%	(133,7)	91%
Cars other than passenger	(2,5)	67%	(1,2)	33%	(3,7)	3%
Ironwork, steel prod.	(3,2)	79%	(0,8)	21%	(4,0)	3%
Other products	(3,9)	72%	(1,5)	28%	(5,4)	4%
Oil	16,7	159%	(6,2)	-59%	10,5	
Diesel fuel	(20,2)	96%	(0,9)	4%	(21,0)	-200%
A-92, A-95	24,0	135%	(6,2)	-35%	17,8	169%
A-80 and other	12,9	94%	0,9	6%	13,8	131%
Consumer goods	(27,3)	67%	(13,6)	33%	(40,9)	
Passenger car	(21,4)	65%	(11,4)	35%	(32,8)	80%
Electronics	(2,1)	53%	(1,8)	47%	(3,9)	10%
All types of medicine	(2,9)	123%	0,5	-23%	(2,4)	6%
Other consumer goods	(0,9)	51%	(0,9)	49%	(1,7)	4%
Nutrimet	(10,5)	81%	(2,4)	19%	(12,8)	
Powder, rice, bread	(11,2)	95%	(0,6)	5%	(11,8)	92%
Dairy produce	(0,2)	17%	(1,0)	83%	(1,2)	9%
All types of fat	1,5	137%	(0,4)	-37%	1,1	-9%
Alcohol	(0,0)	29%	(0,0)	71%	(0,0)	0%
Vegetable	(0,1)	14%	(0,3)	86%	(0,4)	3%
Other	(0,6)	100%	(0,0)	0%	(0,6)	4%
Other imports	(33,2)	72%	(12,8)	28%	(46,0)	
Other	(33,2)	72%	(12,8)	28%	(46,0)	100%
Total amount	(157,2)		(78,9)		(236,0)	

Picture 7. Import of consumption goods /3 month moving average*



*In this calculation, among the all consumer products' import, main 48 goods is chosen and used.