



# MONGOLIA'S FOREIGN TRADE REVIEW

July 2013

## Total trade turnover: \$6,039 millions

As of July 2013 the total cumulative trade turnover from the beginning of the year fell by 7% (USD 467.5 millions) from that of the previous year and reached USD 6,038.7 millions. The decrease in the trade turnover was due to the decrease in imports by USD 283.0 millions and in exports by USD 184.5 millions.

The annual growth rate declined by 20 percentage points from that of the previous year as a result of the decrease in the growth rate of imports by 22 percentage points and that of exports by 16 percentage points.

The structure of the trade flows with the neighboring trade partners is as following: (i) trade with PRC: 50% or USD 2,994 millions and (ii) trade with Russia: 15% or USD 893 millions. The trade volume between Mongolia and China decreased by 12% and the trade volume between Mongolia and Russia declined by 21%.

## Trade balance: -\$1,331 million

As of July 2013, the cumulative trade balance decreased by 7% (USD 98 millions) from that of the previous year and reached USD -1,331.4 millions. Although during the reporting period the total exports decreased by 7% 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 -5%. 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: -\$1,040 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 July 2013, the trade balance of paid trade flows increased by 18% from that of the previous year and reached USD -1,040 millions. Paid imports during the reporting period decreased by 0.6% which means that the rate of the decrease in paid exports is by 6.6 percentage points higher than that of imports.

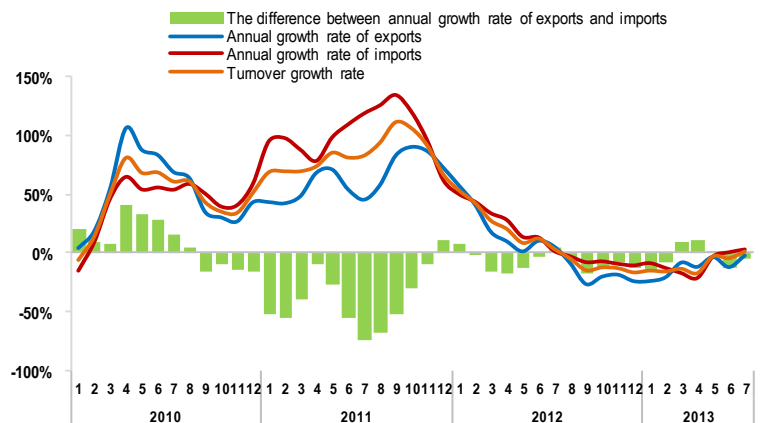
## Terms of trade: 1.359

As of July 2013, terms of trade index (2000 base year) decreased by 12.8% from that of the previous year and reached 1.359. This decrease in the terms of trade is mainly attributed to the fall in export prices of exporting commodities.

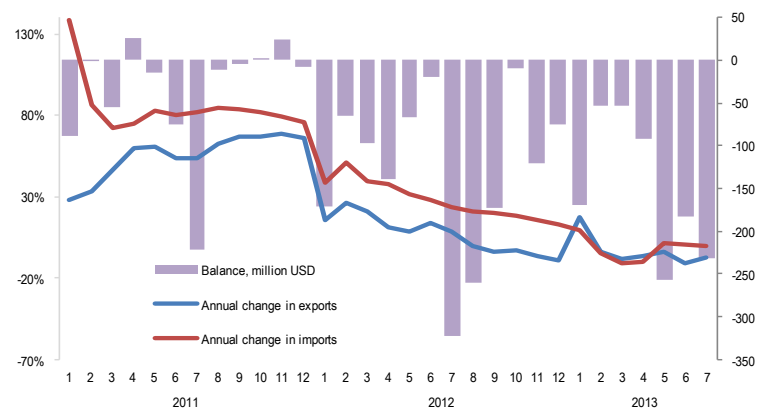
Table 1. The foreign trade performance /million USD/

Type	First 7 months			Changes			
	2013	2012	2011	2013/2012		2012/2011	
				Amount	%	Amount	%
<b>Turnover</b>	<b>6 038,7</b>	<b>6 506,2</b>	<b>5 784,0</b>	<b>(467,5)</b>	<b>-7%</b>	<b>722,1</b>	<b>12%</b>
Export	2 353,6	2 538,2	2 341,6	(184,5)	-7%	196,5	8%
Import	3 685,0	3 968,0	3 442,4	(283,0)	-7%	525,6	15%
<b>Balance</b>	<b>(1 331,4)</b>	<b>(1 429,8)</b>	<b>(1 100,7)</b>	<b>98,4</b>	<b>-7%</b>	<b>(329,1)</b>	<b>30%</b>

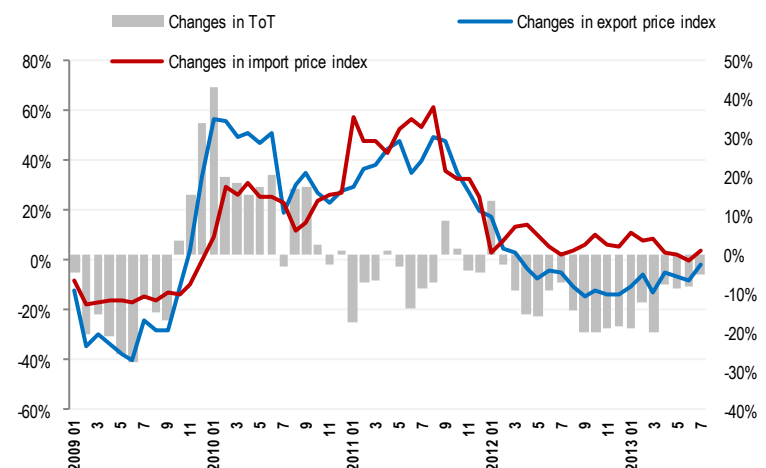
Picture1. The growth rate of exports and imports /3 month moving average/



Picture 2. The trade paid in hard currency



Picture 3. Changes in terms of trade



**Composition: 86%+ 14%**

The share of mineral exports in total exports was 86% 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 72% of total export and 83% of mining export.

In addition, these 4 products share in the mining exports decreased by 11 points from that of the previous year, share in the total exports decreased by 8 points..

**Growth: -7.3%**

Mongolian export decreased by 7.3% from that of the previous year, which was mainly affected by 10% decrease in mineral exports. Exports of iron ore, concentrate, crude oil and non monetary gold increased by 31%, 43% and 276%, respectively, which accounting for 13% in growth of mining export. On the other hand, coal export decreased by nearly 49% and because of this mining export has decreased by 24% from the first 7 months of 2012.

**Changes**

In first 7 months of 2013, Mongolian export decreased by 184.5 million USD from that of the previous year. Main reasons were decrease in export commodities' prices by USD 174 millions and decrease of export commodities' quantities by USD 11 millions.

Because of the increase in crude oil, zinc ore, concentrate and non monetary gold quantities, total export would've increased by 242 millions USD. However, coal, crude oil, copper concentrate, monetary gold's prices, coal and iron ore, concentrate's quantities decreased in reporting period, so total mining export decreased by 595 millions USD.

Cashmere and cashmere product exports' both prices and quantities increased by 25 and 35 million USD, respectively . For other exports, prices and quantities both increased, so total of other export increased by almost 28 millions USD.

**World market prices for primary commodities**

As of July 31 2013, gold price reached 1,325.1 USD, decreased by 17.9% from that of the previous year and decreased 9.0% from that of the last month.

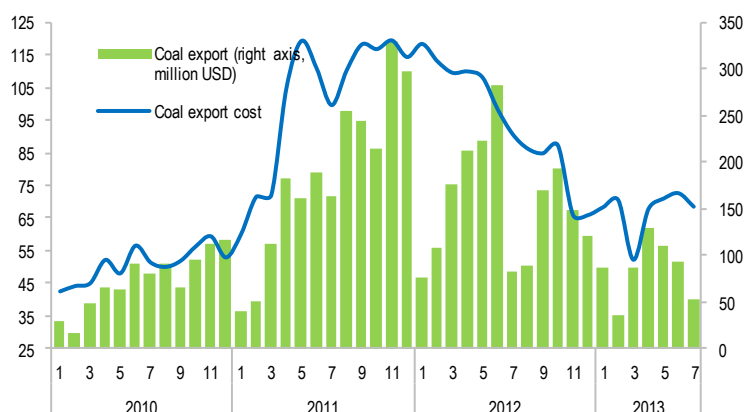
As of July 31 2013, copper and zinc prices reached 6,872.5 and 1,804.0 USD, copper increased by 2.1%, zinc decreased by 0.9% from that of the last month, decreased by 9.0%, 1.6% from that of the previous year, respectively.

**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
<b>1. Minerals</b>	<b>2 035</b>	<b>86%</b>		<b>2 301</b>	<b>91%</b>		<b>(266)</b>	<b>-12%</b>	<b>-10%</b>
Coal	8 259	595	25%	11 053	1 158	46%	(563)	-49%	-24%
Copper concentrate	332	470	20%	330	485	19%	(15)	-3%	-1%
Iron ore /conc.	3 582	382	16%	3 652	291	11%	91	31%	4%
Crude oil	2 595	249	11%	1 802	174	7%	75	43%	3%
Zinc ore/concentrate	80	77	3%	67	63	2%	13	21%	1%
Non monetary gold	4 727	195	8%	1 201	52	2%	143	276%	6%
Spar, leucine, nepheline	186	47	2%	242	55	2%	(8)	-14%	0%
Molybdenum ore/conc.	2	18	1%	2	23	1%	(4)	-19%	0%
<b>2. Cashmere</b>	<b>202,4</b>	<b>9%</b>		<b>142,8</b>	<b>6%</b>		<b>60</b>	<b>42%</b>	<b>2%</b>
Washed cashmere	3 760	174	7%	2 982	120	5%	53,7	45%	38%
Combed cashmere	299	29	1%	250	23	1%	5,9	26%	4%
<b>3. Other</b>	<b>116</b>	<b>5%</b>		<b>94</b>	<b>4%</b>		<b>22</b>	<b>23%</b>	<b>1%</b>
<b>Total amount</b>	<b>2 354</b>			<b>2 538</b>			<b>(184,5)</b>	<b>-7,3%</b>	

% 2 - Contribution to the growth

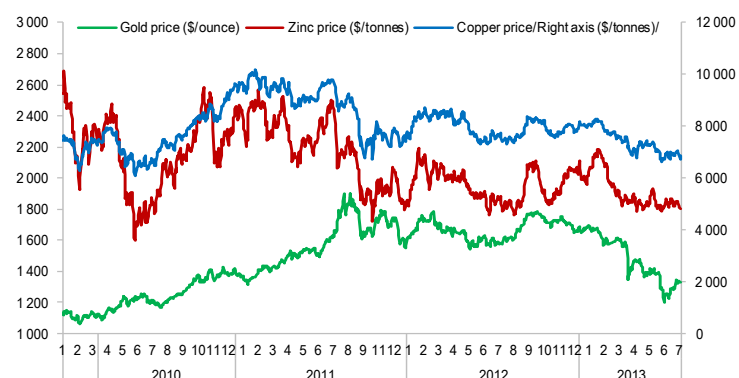
**Picture 4. Coal export, market price (USD)**



**Table 3. Changes in export goods (million USD)**

	Changes in quantity		Changes in price		Total changes	
		%		%		%
<b>1. Minerals</b>	<b>(58)</b>		<b>(208)</b>		<b>(266)</b>	
Coal	(293)	52%	(270)	48%	(563)	305%
Copper concentrate	3	-21%	(18)	121%	(15)	8%
Iron ore /conc.	(6)	-6%	97	106%	91	-49%
Crude oil	77	102%	(1)	-2%	75	-41%
Zinc ore/concentrate	13	95%	1	5%	13	-7%
Non monetary gold	153	106%	(9)	-6%	143	-78%
Spar, leucine, nepheline	(4)	52%	(4)	48%	(8)	4%
Molybdenum ore/conc.	(0)	6%	(4)	94%	(4)	2%
<b>2. Cashmere</b>	<b>35</b>		<b>25</b>		<b>60</b>	
Washed cashmere	31,3	58%	22,4	42%	53,7	-29%
Combed cashmere	3,3	56%	2,6	44%	5,9	-3%
<b>3. Other</b>	<b>12</b>	<b>56%</b>	<b>10</b>	<b>44%</b>	<b>22</b>	<b>-12%</b>
<b>Total</b>	<b>(10,8)</b>		<b>(173,8)</b>		<b>(184,5)</b>	

**Picture 5. Market price of gold, zinc, copper**



## Composition: 26% + 21%

As of first 7 months of 2013, 46% of total imports were oil products and industrial inputs' imports, 15% were consumer goods and food imports, rest 39% were other products' import.

Share of oil products and industrial inputs' imports in total imports decreased by 2 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 1 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 oil products import and consumer goods import which equal to 1% , 1% of the total decrease, respectively.

Oil products and industrial inputs' imports decreased by 5% (41 millions USD) and 16% (175 millions USD) respectively, thus total import decreased from that of the previous year.

## Changes

Prices and quantities of import goods both decreased by 85 and 198 millions USD respectively, thus total imports decreased by 284 millions USD from that of the previous year.

Prices and quantities of oil import both decreased by 9.2 and 32.0 millions USD respectively, thus total oil import decreased by 41.2 millions USD from that of the previous year. 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 175 millions USD. At the same time, 73% of decrease in consumer products' import were quantity related causes, 27% were price related causes, thus consumer products' import decreased by 31.7 million USD.

## Import of the primary consumer products\*

As of first 7 months of 2013, growth of primary consumer products' import, which calculated by 3 month moving average method, increased to 12%. 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
<b>Industrial inputs</b>		<b>941</b>	<b>26%</b>		<b>1 116</b>	<b>28%</b>	<b>(175)</b>	<b>-16%</b>	<b>-4%</b>
Heavy mechanism, equipment	8 961	533	57%	7 729	686	61%	(153)	-22%	-14%
Cars other than passenger	616	323	34%	581	338	30%	(15)	-4%	-1%
Ironwork, steel prod.	22 973	30	3%	19 913	32	3%	(2)	-5%	0%
Other products	69 702	54	6%	77 207	60	5%	(6)	-10%	-1%
<b>Oil</b>		<b>764</b>	<b>21%</b>		<b>805</b>	<b>20%</b>	<b>(41)</b>	<b>-5%</b>	<b>-1%</b>
Diesel fuel	386 396	445	58%	422 028	486	60%	(40)	-8%	-5%
A-92, A-95	149 088	178	23%	137 361	173	21%	5	3%	1%
A-80 and other	112 077	141	18%	114 550	147	18%	(6)	-4%	-1%
<b>Consumer goods</b>		<b>452</b>	<b>12%</b>		<b>483</b>	<b>12%</b>	<b>(31)</b>	<b>-6%</b>	<b>-1%</b>
Passenger car	28	243	54%	27	277	57%	(34)	-12%	-7%
Electronics	633	94	21%	591	94	19%	1	1%	0%
All types of medicine	1 199	41	9%	1 011	41	8%	0	1%	0%
Other consumer goods	9 312	73	16%	9 266	72	15%	1	2%	0%
<b>Nutrimet</b>		<b>101</b>	<b>3%</b>		<b>118</b>	<b>3%</b>	<b>(18)</b>	<b>-15%</b>	<b>0%</b>
Powder, rice, bread	25 158	25	25%	74 199	42	36%	(17)	-41%	-15%
Dairy produce	2 927	10	10%	3 177	12	10%	(2)	-15%	-2%
All types of fat	14 394	19	19%	13 535	18	15%	1	4%	1%
Alcohol	19 864	17	16%	16 601	15	13%	1	7%	1%
Vegetable	41 193	8	8%	49 539	9	7%	(1)	-8%	-1%
Other	37 423	22	22%	36 881	22	18%	0	1%	0%
<b>Other imports</b>		<b>1 428</b>	<b>39%</b>		<b>1 446</b>	<b>36%</b>	<b>(18)</b>	<b>-1%</b>	<b>0%</b>
Other		1 428			1 446		(18)	-1%	-1%
<b>Total amount</b>		<b>3 686</b>			<b>3 969</b>		<b>(283)</b>	<b>-7%</b>	<b>-7%</b>

% 2 - Contribution to the growth

Picture 6. Import of oil products, average border price

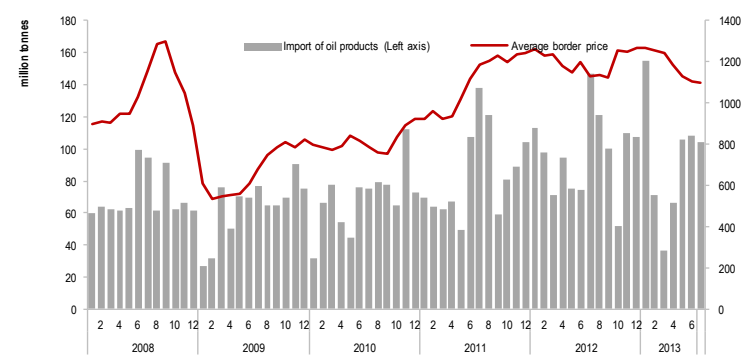
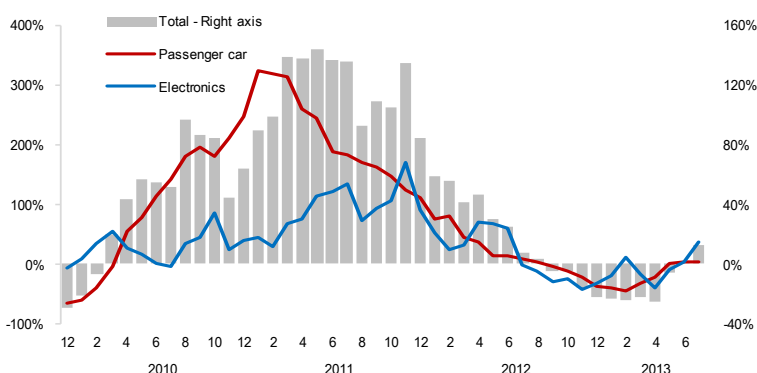


Table 5. Changes in import goods (million USD)

Types	Changes in quantity		Changes in price		Total changes	
		%		%		%
<b>Industrial inputs</b>	<b>(122,7)</b>	<b>70%</b>	<b>(52,6)</b>	<b>30%</b>	<b>(175,2)</b>	
Heavy mechanism, equipment	(116,6)	76%	(35,9)	24%	(152,5)	87%
Cars other than passenger	(0,4)	2%	(14,9)	98%	(15,2)	9%
Ironwork, steel prod.	(0,1)	8%	(1,4)	92%	(1,6)	1%
Other products	(5,6)	94%	(0,4)	6%	(6,0)	3%
<b>Oil</b>	<b>(32,0)</b>	<b>78%</b>	<b>(9,2)</b>	<b>22%</b>	<b>(41,2)</b>	
Diesel fuel	(41,0)	102%	0,6	-2%	(40,4)	98%
A-92, A-95	14,8	274%	(9,4)	-174%	5,4	-13%
A-80 and other	(5,8)	94%	(0,4)	6%	(6,2)	15%
<b>Consumer goods</b>	<b>(23,1)</b>	<b>73%</b>	<b>(8,6)</b>	<b>27%</b>	<b>(31,7)</b>	
Passenger car	(21,9)	65%	(11,7)	35%	(33,5)	106%
Electronics	(0,9)	-126%	1,6	226%	0,7	-2%
All types of medicine	0,2	77%	0,1	23%	0,2	-1%
Other consumer goods	(0,5)	-59%	1,5	159%	0,9	-3%
<b>Nutrimet</b>	<b>(16,8)</b>	<b>95%</b>	<b>(1,0)</b>	<b>5%</b>	<b>(17,8)</b>	
Powder, rice, bread	(16,8)	97%	(0,5)	3%	(17,2)	97%
Dairy produce	(1,0)	51%	(0,9)	49%	(1,9)	11%
All types of fat	0,5	66%	0,2	34%	0,7	-4%
Alcohol	0,5	45%	0,6	55%	1,1	-6%
Vegetable	(0,1)	15%	(0,6)	85%	(0,7)	4%
Other	0,0	25%	0,1	75%	0,1	-1%
<b>Other imports</b>	<b>(3,6)</b>	<b>21%</b>	<b>(14,0)</b>	<b>79%</b>	<b>(17,7)</b>	<b>100%</b>
Other	(3,6)	21%	(14,0)	79%	(17,7)	100%
<b>Total amount</b>	<b>(198,3)</b>		<b>(85,3)</b>		<b>(283,6)</b>	

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.