



# MONGOLIA'S FOREIGN TRADE REVIEW

October 2013

## Total trade turnover: \$8,821 millions

As of October 2013 the total cumulative trade turnover from the beginning of the year fell by 6% (USD 582.8 millions) from that of the previous year and reached USD 8,821.2 millions. The decrease in the trade turnover was due to the decrease in imports by USD 398.3 millions and in exports by USD 184.5 millions.

The annual growth rate declined by 10 percentage points from that of the previous year as a result of the decrease in the growth rate of imports by 14 percentage points and that of exports by 3 percentage points.

The structure of the trade flows with the neighboring trade partners is as following: (i) trade with PRC: 51% or USD 4,499 millions and (ii) trade with Russia: 15% or USD 1,331 millions. The trade volume between Mongolia and China decreased by 10% and the trade volume between Mongolia and Russia declined by 17%.

## Trade balance: -\$1,861 million

As of October 2013, the cumulative trade balance decreased by 10% (USD 214 millions) from that of the previous year and reached USD -1,861 millions. Although during the reporting period the total exports decreased by 5% 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 recent years (Picture 1 shows that the annual growth rates of exports and imports have been declining since October 2011). But since August 2013, it has been increasing slightly.

## Trade balance of paid trade flows: -\$1,479 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 October 2013, the trade balance of paid trade flows increased by 12% from that of the previous year and reached USD -1,479 millions. Paid imports during the reporting period decreased by 0.6% which means that the rate of the decrease in paid exports is by 4.5 percentage points higher than that of imports.

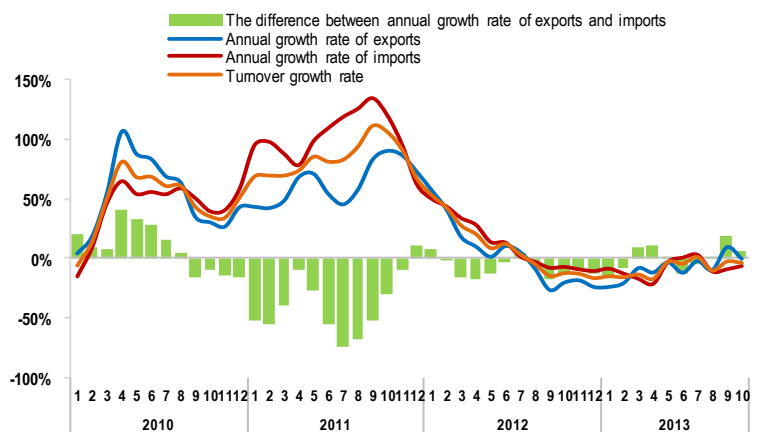
## Terms of trade: 1.194

As of October 2013, terms of trade index (2000 base year) decreased by 19.9% from that of the previous year and reached 1.194. This decrease in the terms of trade is mainly attributed to the fall in export prices of exporting commodities.

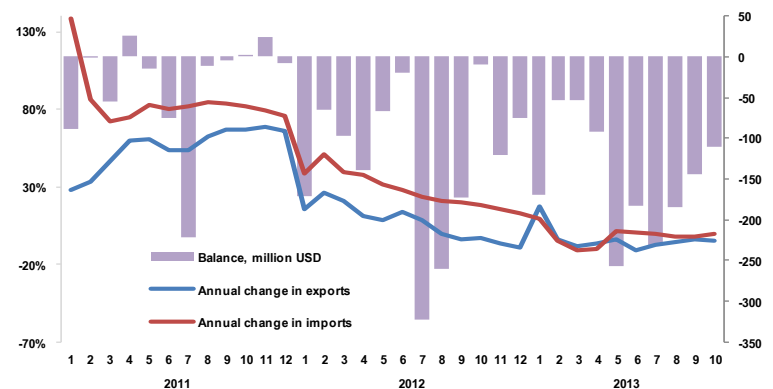
Table 1. The foreign trade performance /million USD/

Type	First 10 months			Changes			
	2013	2012	2011	2013/2012		2012/2011	
				Amount	%	Amount	%
<b>Turnover</b>	<b>8,821.2</b>	<b>9,404.0</b>	<b>9,099.7</b>	<b>(582.8)</b>	<b>-6%</b>	<b>304.3</b>	<b>3%</b>
Export	3,480.2	3,664.7	3,747.3	(184.5)	-5%	(82.7)	-2%
Import	5,341.0	5,739.3	5,352.4	(398.3)	-7%	386.9	7%
<b>Balance</b>	<b>(1,860.8)</b>	<b>(2,074.6)</b>	<b>(1,605.0)</b>	<b>213.8</b>	<b>-10%</b>	<b>(469.6)</b>	<b>29%</b>

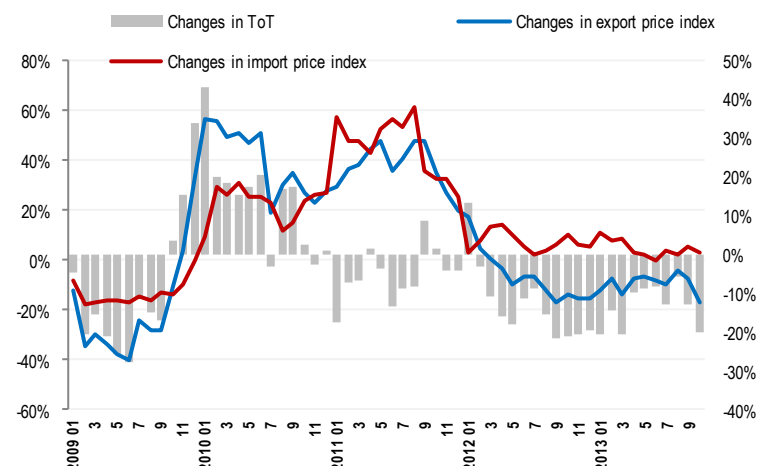
Picture1. The growth rate of exports and imports /3 month moving average/



Picture 2. The trade paid in hard currency



Picture 3. Changes in terms of trade



## Composition: 88%+ 12%

The share of mineral exports in total exports was 88% of the total export and decreased by 2.6 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 84% of mining export.

In addition, these 4 products share in the mining exports decreased by 6.9 points from that of the previous year, share in the total exports decreased by 8.4 points..

## Growth: -5.0%

Mongolian export decreased by 5.0% from that of the previous year, which was mainly affected by 7% decrease in mineral exports. Exports of iron ore, concentrate, crude oil and non monetary gold increased by 25%, 46% and 246%, respectively, which accounting for 13% in growth of mining export. On the other hand, coal export decreased by nearly 45% and because of this mining export has decreased by 22% from the first 10 months of 2012.

## Changes

In first 10 months of 2013, Mongolian export decreased by 185 million USD from that of the previous year. The decrease in export commodities' prices (USD 335.8 millions) offsets increase of export commodities' quantities (USD 151.3 millions).

Because of the increase in crude oil, copper, zinc ore, concentrate and non monetary gold quantities, total export would've increased by 400 millions USD. However, coal, copper concentrate, monetary gold's prices, coal and spar's quantities decreased in reporting period, so total mining export decreased by 763 millions USD.

Cashmere and cashmere product exports' both prices and quantities increased by 27 and 19 million USD, respectively . For other exports, prices and quantities both increased, so total of other export increased by almost 26 millions USD.

## World market prices for primary commodities

As of October 31 2013, gold price reached 1,323.1 USD, decreased by 23% from that of the previous year and decreased 0.4% from that of the last month.

As of October 31 2013, copper and zinc prices reached 7,242.0 and 1,919.0 USD, copper decreased by 6.0%, zinc increased by 3.5% from that of the last year. Copper decreased by 1%, zinc increased by 2% from that of the previous month 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>3,065</b>	<b>88%</b>		<b>3,321</b>	<b>91%</b>		<b>(256)</b>	<b>-8%</b>	<b>-7%</b>
Coal	13,391	879	25%	16,317	1,611	44%	(732)	-45%	-22%
Copper concentrate	521	749	22%	479	696	19%	53	8%	2%
Iron ore /conc.	5,505	547	16%	5,312	436	12%	110	25%	3%
Crude oil	3,999	396	11%	2,835	272	7%	124	46%	4%
Zinc ore/concentrate	112	102	3%	111	103	3%	(2)	-1%	0%
Non monetary gold	7,162	296	9%	1,964	86	2%	211	246%	6%
Spar, leucine, nepheline	284	71	2%	360	85	2%	(14)	-17%	0%
Molybdenum ore/conc.	3	25	1%	3	32	1%	(7)	-22%	0%
<b>2. Cashmere</b>	<b>227.6</b>	<b>7%</b>		<b>181.7</b>	<b>5%</b>		<b>46</b>	<b>25%</b>	<b>1%</b>
Washed cashmere	3,944	182	5%	3,575	144	4%	38.6	27%	21%
Combed cashmere	458	45	1%	423	38	1%	7.3	19%	4%
<b>3. Other</b>	<b>188</b>	<b>5%</b>		<b>162</b>	<b>4%</b>		<b>26</b>	<b>16%</b>	<b>1%</b>
<b>Total amount</b>	<b>3,480</b>			<b>3,665</b>			<b>(184.5)</b>	<b>-5.0%</b>	

% 2 - Contribution to the growth

Picture 4. Coal export, market price (USD)

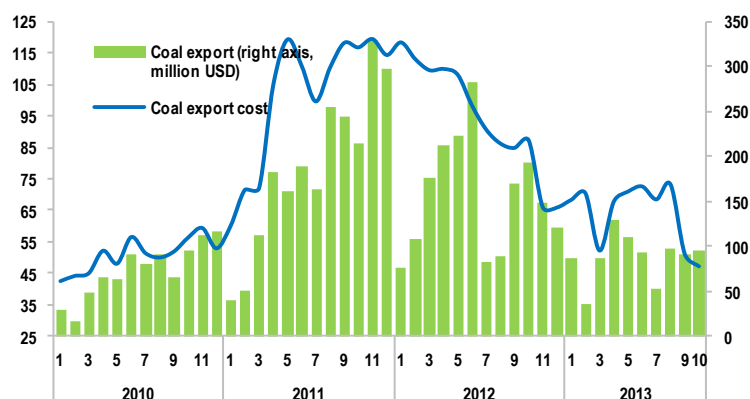
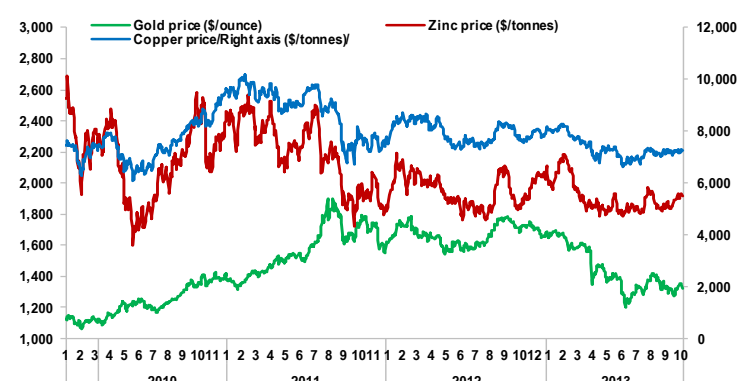


Table 3. Changes in export goods (million USD)

	Changes in quantity		Changes in price		Total changes	
	Quantity	%	Price	%	Total	%
<b>1. Minerals</b>	<b>118</b>		<b>(374)</b>		<b>(256)</b>	
Coal	(289)	39%	(443)	61%	(732)	397%
Copper concentrate	60	114%	(7)	-14%	53	-29%
Iron ore /conc.	16	14%	94	86%	110	-60%
Crude oil	111	90%	13	10%	124	-67%
Zinc ore/concentrate	1	-87%	(3)	187%	(2)	1%
Non monetary gold	226	107%	(16)	-7%	211	-114%
Spar, leucine, nepheline	(7)	52%	(7)	48%	(14)	8%
Molybdenum ore/conc.	(2)	22%	(5)	78%	(7)	4%
<b>2. Cashmere</b>	<b>19</b>		<b>27</b>		<b>46</b>	
Washed cashmere	14.8	38%	23.8	62%	38.6	-21%
Combed cashmere	4.1	56%	3.2	44%	7.3	-4%
<b>3. Other</b>	<b>15</b>	<b>56%</b>	<b>11</b>	<b>44%</b>	<b>26</b>	<b>-14%</b>
<b>Total</b>	<b>151.3</b>		<b>(335.8)</b>		<b>(184.5)</b>	

Picture 5. Market price of gold, zinc, copper



## Composition: 24% + 21%

As of first 10 months of 2013, 45% of total imports were oil products and industrial inputs' imports, 15% were consumer goods and food imports, rest 40% were other products' import.

Share of oil products and industrial inputs' imports in total imports decreased by 2 points from the first 10 months of 2012. This decrease affected by industrial inputs' import, which decreased by 3.1 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 5% of the total decrease, and consumer goods import which equal to 1% of the total decrease.

Consumer goods products and industrial inputs' imports decreased by 9% (62 millions USD) and 18% (276 millions USD) respectively, thus total import decreased from that of the previous year.

## Changes

Prices and quantities of import goods both decreased by 161 and 238 millions USD respectively, thus total imports decreased by 398 millions USD from that of the previous year.

Because of decrease in border price, oil import decreased by 15.1 million USD, thus total oil import decreased by 3.9 millions USD from that of the previous year. The oil price on the border decreased from begin of 2012 to 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 37% and 63%, respectively, thus industrial inputs' import declined by almost 276.1 millions USD. At the same time, 76% of decrease in consumer products' import were quantity related causes, 34% were price related causes, thus consumer products' import decreased by 62.3 million USD.

## Import of the primary consumer products\*

As of first 10 months of 2013, growth of primary consumer products' import, which calculated by 3 month moving average method, decreased by 15% / 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 decreased, slowly.

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

Types	2013			2012			Changes	
	Quant/unit (tonnes, thousand of units)	Amount	%	Quant/unit (tonnes, thousand of units)	Amount	%	Amount	Percentage
<b>Industrial inputs</b>		<b>1,300</b>	<b>24%</b>		<b>1,576</b>	<b>27%</b>	<b>(276)</b>	<b>-18%</b>
Heavy mechanism, equipment	12,141	769	59%	10,771	968	61%	(199)	-21%
Cars other than passenger	894	399	31%	843	474	30%	(76)	-16%
Iron work, steel prod.	37,769	54	4%	28,241	45	3%	9	20%
Other products	99,123	78	6%	106,979	89	6%	(11)	-12%
<b>Oil</b>		<b>1,116</b>	<b>21%</b>		<b>1,120</b>	<b>20%</b>	<b>(4)</b>	<b>0%</b>
Diesel fuel	600,387	680	61%	584,896	660	59%	20	3%
A-92, A-95	208,466	247	22%	196,293	248	22%	(0)	0%
A-80 and other	151,052	189	17%	165,505	212	19%	(23)	-11%
<b>Consumer goods</b>		<b>619</b>	<b>12%</b>		<b>681</b>	<b>12%</b>	<b>(62)</b>	<b>-9%</b>
Passenger car	39	327	53%	40	377	55%	(49)	-13%
Electronics	807	126	20%	889	129	19%	(3)	-2%
All types of medicine	1,722	57	9%	1,718	64	9%	(7)	-11%
Other consumer goods	13,463	109	18%	14,678	111	16%	(3)	-2%
<b>Nutrimint</b>		<b>148</b>	<b>3%</b>		<b>167</b>	<b>3%</b>	<b>(19)</b>	<b>-11%</b>
Pow der, rice, bread	40,560	38	25%	89,039	55	33%	(17)	-32%
Dairy produce	3,496	14	9%	3,914	15	9%	(1)	-10%
All types of fat	21,575	28	19%	19,144	25	15%	3	11%
Alcohol	32,119	28	19%	26,934	27	16%	1	3%
Vegetable	51,862	10	7%	63,642	11	7%	(1)	-9%
Other	52,907	31	21%	55,897	34	20%	(2)	-6%
<b>Other imports</b>		<b>2,157</b>	<b>40%</b>		<b>2,194</b>	<b>38%</b>	<b>(37)</b>	<b>-2%</b>
Other		2,157			2,194		(37)	-2%
<b>Total amount</b>		<b>5,341</b>			<b>5,739</b>		<b>(398)</b>	<b>-7%</b>

% 2 - Contribution to the growth

Picture 6. Import of oil products, average border price

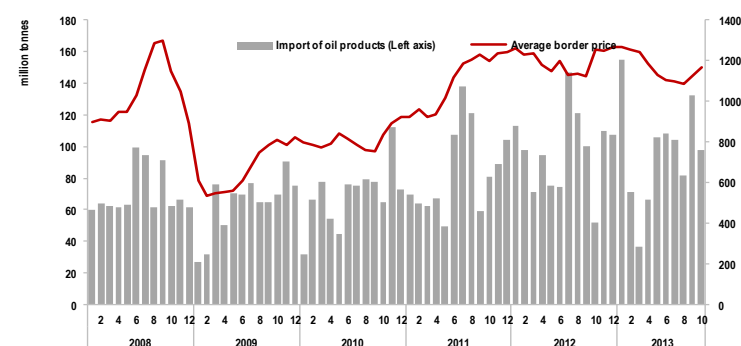
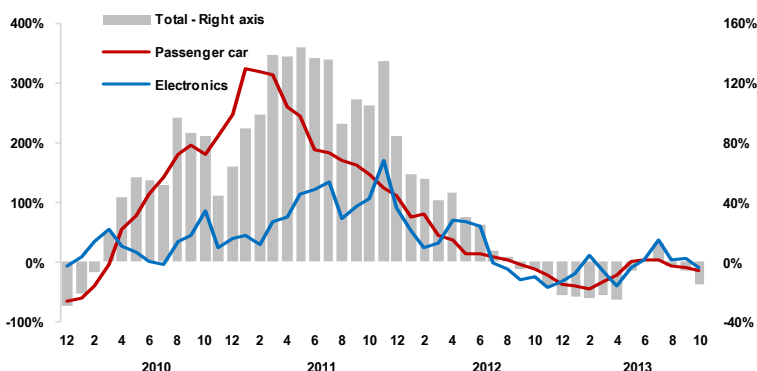


Table 5. Changes in import goods (million USD)

Types	Changes in quantity		Changes in price		Total changes	
	(million USD)	%	(million USD)	%	(million USD)	%
<b>Industrial inputs</b>	<b>(175.0)</b>	<b>63%</b>	<b>(101.1)</b>	<b>37%</b>	<b>(276.1)</b>	
Heavy mechanism, equipment	(176.2)	89%	(22.4)	11%	(198.6)	72%
Cars other than passenger	(3.5)	5%	(72.4)	95%	(75.9)	27%
Iron work, steel prod.	10.7	119%	(1.7)	-19%	9.0	-3%
Other products	(6.0)	57%	(4.6)	43%	(10.6)	4%
<b>Oil</b>	<b>11.2</b>	<b>-289%</b>	<b>(15.1)</b>	<b>389%</b>	<b>(3.9)</b>	
Diesel fuel	17.5	89%	2.1	11%	19.5	-504%
A-92, A-95	15.4	-4942%	(15.7)	5042%	(0.3)	8%
A-80 and other	(21.6)	94%	(1.5)	6%	(23.1)	596%
<b>Consumer goods</b>	<b>(47.4)</b>	<b>76%</b>	<b>(14.9)</b>	<b>24%</b>	<b>(62.3)</b>	
Passenger car	(32.2)	65%	(17.1)	35%	(49.3)	79%
Electronics	(3.3)	107%	0.2	-7%	(3.1)	5%
All types of medicine	(8.7)	120%	1.5	-20%	(7.2)	12%
Other consumer goods	(3.3)	120%	0.5	-20%	(2.7)	4%
<b>Nutrimint</b>	<b>(15.3)</b>	<b>82%</b>	<b>(3.3)</b>	<b>18%</b>	<b>(18.6)</b>	
Pow der, rice, bread	(15.3)	88%	(2.1)	12%	(17.4)	94%
Dairy produce	(1.6)	112%	0.2	-12%	(1.4)	8%
All types of fat	1.3	47%	1.5	53%	2.7	-15%
Alcohol	0.6	80%	0.1	20%	0.7	-4%
Vegetable	0.2	-22%	(1.3)	122%	(1.0)	6%
Other	(0.5)	23%	(1.7)	77%	(2.2)	12%
<b>Other imports</b>	<b>(11.0)</b>	<b>29%</b>	<b>(26.4)</b>	<b>71%</b>	<b>(37.4)</b>	
Other	(11.0)	29%	(26.4)	71%	(37.4)	100%
<b>Total amount</b>	<b>(237.5)</b>		<b>(160.8)</b>		<b>(398.3)</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.