



MONGOLIA'S FOREIGN TRADE REVIEW

February 2014

Total trade turnover: \$658 millions

As of February 2014 the total cumulative trade turnover fell by 8.3% (USD 108.8 millions) from that of the previous year and reached USD 1,208.5 millions. The decrease in the trade turnover was due to the decrease in imports by USD 197.4 millions.

The annual growth rate declined by 2 percentage points from that of the previous year as a result of the decrease in the growth rate of imports by 11 percentage points and increase in the growth rate of exports by 21 percentage points.

The structure of the trade flows with the neighboring trade partners is as following: (i) trade with PRC: 54% or USD 647.4 millions and (ii) trade with Russia: 15% or USD 181.5 millions. The trade volume between Mongolia and China increased by 11% and the trade volume between Mongolia and Russia declined by 37%.

Trade balance: -\$19 million

As of February 2014, the cumulative trade balance decreased by 94% (USD 201 millions) from that of the previous year and reached USD -19 millions. During the reporting period the total exports increased by 17.5% from that of the previous year, imports decreased by 24.3% from that of the previous year, thus the trade balance improved by USD 286 millions.

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: +\$16.3 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 February 2014, the trade balance of paid trade flows increased by USD 240 from that of the previous year and reached USD 16.3 millions. During the reporting period, paid imports decreased by 21%, and paid exports increased by 17% that of previous year.

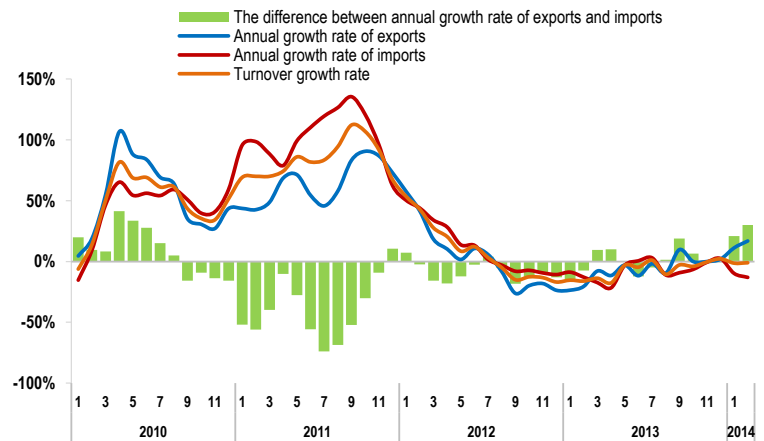
Terms of trade: 1.266

As of January 2014, terms of trade index (2000 base year) decreased by 9.8% from that of the previous year and reached 1.266. This decrease in the terms of trade is mainly attributed to the fall in export prices of exporting commodities.

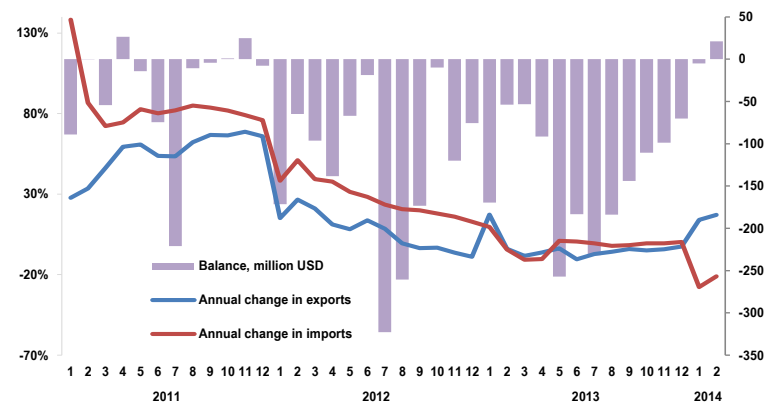
Table 1. The foreign trade performance /million USD/

Type	First 2 months			Changes			
	2014	2013	2012	2014/2013		2013/2012	
				ДҮН	Хувь	ДҮН	Хувь
Turnover	1,208.5	1,317.3	1,465.9	(108.8)	-8.3%	(148.6)	-10.1%
Export	594.6	506.1	526.6	88.5	17.5%	(20.5)	-3.9%
Import	613.9	811.2	939.3	(197.4)	-24.3%	(128.1)	-13.6%
Balance	(19.3)	(305.2)	(412.8)	285.9	-93.7%	107.6	-26.1%

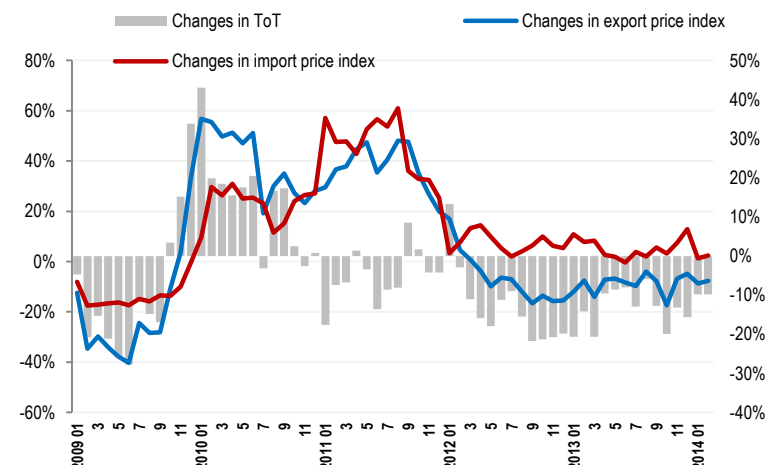
Picture1. The growth rate of exports and imports /3 month moving average/



Picture 2. The trade paid in hard currency



Picture 3. Changes in terms of trade



Composition: 92%+ 8%

The share of mineral exports in total exports was 92% of the total export and increased by 1.5 points from that of the previous year.

Coal, copper concentrate, iron ore and concentrate and crude oil have a weight of nearly 77% of total export and 84% of mining export.

In addition, these 4 products share in the mining exports decreased by 3.4 points from that of the previous year, share in the total exports decreased by 1.9 points.

Growth: +17.5%

Mongolian export increased by 17.5% from that of the previous year, which was mainly affected by 17.6% increase in mineral exports. Exports of copper concentrate, crude oil and non monetary gold increased by 37%, 67% and 122%, respectively, which accounting for 27% in growth of mining export. On the other hand, coal export decreased by nearly 12% and because of this mining export has decreased by 3% from February 2013.

Changes

In February 2014, Mongolian export increased by 88.5 million USD from that of the previous year. The increase of export commodities' quantities (USD 160 millions) offsets decrease in export commodities' prices (USD 72 millions).

Because of the increase in crude oil, copper concentrate and non monetary gold quantities, total export would've increased by 123 millions USD. On the other hand, coal, iron ore and monetary gold's prices, molybdenum and spar's quantities decreased in reporting period, so total mining export decreased by 78 millions USD.

Cashmere and cashmere product exports' both prices and quantities decreased by 0.4 and 0.1 million USD, respectively. For other exports, prices and quantities both increased, so total of other export increased by almost 0.1 millions USD.

World market prices for primary commodities

As of February 28 2014, gold price reached 1,326.4 USD, decreased by 16% from that of the previous year and increased 6.6% from that of the last month.

As of February 28 2014, copper and zinc prices reached 7,080.0 and 2,111.0 USD, decreased by 9%, 3% from that of the last year, respectively. Copper price decreased by 0.2%, zinc price increased by 7.5% from that of the previous month respectively.

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

	2014			2013			Changes		
	Quan/ unit (thou. tonnes, kg)	Amount	%	Quan/ unit (thou. tonnes, kg)	Amount	%	Amount	%	% 2
1. Minerals		548	92%		459	91%	89	19%	18%
Coal	2,072	108	18%	1,785	123	24%	(14)	-12%	-3%
Copper concentrate	123	87	3%	91	136	27%	51	37%	16%
Iron ore /conc.	778	68	12%	773	85	17%	(16)	-19%	-4%
Crude oil	1,004	97	16%	601	58	11%	39	67%	9%
Zinc ore/concentrate	12	12	2%	15	15	3%	(3)	-21%	-1%
Non monetary gold	1,549	63	11%	677	28	6%	34	122%	7%
Spar, leucine, nepheline	40	9	1%	38	8	2%	(0.0)	-1%	0%
Molybdenum ore/conc.	1	4	1%	1	6	1%	(2)	-27%	0%
2. Cashmere		4.4	1%		4.9	1%	(0)	-10%	0%
Washed cashmere	43	2	0%	39	2	0%	(0.0)	-1%	0%
Combed cashmere	28	3	0%	36	3	1%	(0.5)	-14%	-10%
3. Other		42	7%		42	8%	0	0%	0%
Total amount		595			506		88.5	17.5%	

%2 - Contribution to the growth

Picture 4. Coal export, market price (USD)

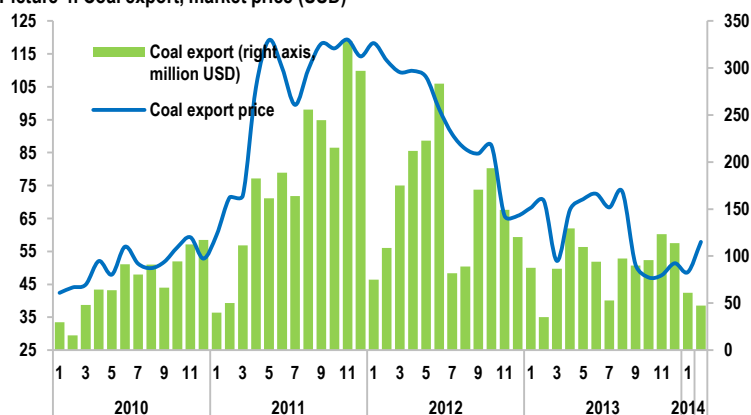
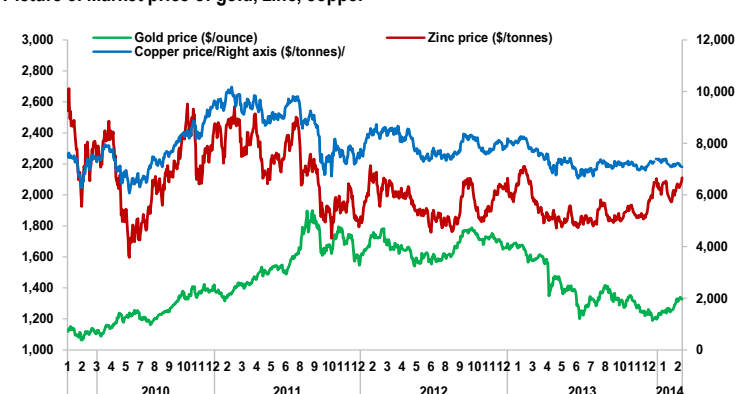


Table 3. Changes in export goods (million USD)

	Changes in quantity	%	Changes in price	%	Total changes	%
1. Minerals	161		(72)		89	
Coal	20	-136%	(34)	236%	(14)	-12%
Copper concentrate	47	94%	3	6%	51	37%
Iron ore /conc.	22	-136%	(38)	236%	(16)	-19%
Crude oil	39	100%	0	0%	39	67%
Zinc ore/concentrate	(3)	96%	(0)	4%	(3)	-21%
Non monetary gold	36	106%	(2)	-6%	34	122%
Spar, leucine, nepheline	0	52%	0	48%	0	4%
Molybdenum ore/conc.	(1)	56%	(1)	44%	(2)	-27%
2. Cashmere	(0.1)		(0.4)		(0)	
Washed cashmere	0.1	-653%	(0.2)	753%	(0.0)	-1%
Combed cashmere	(0.3)	56%	(0.2)	44%	(0.5)	-14%
3. Other	0	56%	0	44%	0	0%
Total	160.6		(72.1)		88.5	

Picture 5. Market price of gold, zinc, copper



Composition: 23% + 21%

As of February 2014, 44% of total imports were oil products and industrial inputs' imports, 19% were consumer goods and food imports, rest 37% were other products' import.

Share of oil products and industrial inputs' imports in total imports decreased by 16 points from January 2013. This decrease affected by oil import, which decreased by 15 points.

Growth: -24.3%

Mongolian imports decreased by 24% from that of the previous year. Main contributors of this decrease were industrial inputs' decrease, which equal to 7% of the total decrease, and oil import which equal to 20% of the total decrease.

Oil and industrial inputs' imports decreased by 55% (159 millions USD) and 30% (59 millions USD) respectively, thus total import decreased from that of the previous year.

Changes

Prices and quantities of import goods both decreased by 73 and 124 millions USD respectively, thus total imports decreased by 197 millions USD from that of the previous year.

Because of decrease in quantities, oil import decreased by 143 million USD, thus total oil import decreased by 159 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 2014, it is decreasing slowly. (Figure 6).

Industrial inputs' imports price decreased by 68 million USD, thus industrial inputs' import declined by almost 59 millions USD. At the same time, 20% of decrease in consumer products' import were quantity related causes, 80% were price related causes, thus consumer products' import decreased by 6 million USD.

Import of the primary consumer products*

As of February 2014, growth of primary consumer products' import, which calculated by 3 month moving average method, decreased by 7% / 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	2014			2013			Changes		
	Quan/unit (tonnes, thousand of units)	Amount	%	Quan/unit (tonnes, thousand of units)	Amount	%	Amount	Percentage	Percentage
Industrial inputs		140	23%		199	25%	(59)	-30%	-7%
Heavy mechanism, equipment	378	80	57%	2,923	117	59%	(36)	-31%	-18%
Cars other than passenger	137	38	27%	119	63	32%	(25)	-40%	-13%
Ironwork, steel prod.	3,914	6	4%	4,695	7	4%	(1)	-17%	-1%
Other products	7,798	16	11%	71,564	12	6%	4	31%	2%
Oil		128	21%		287	35%	(159)	-55%	-20%
Diesel fuel	58,647	66	51%	147,168	186	65%	(120)	-65%	-42%
A-92, A-95	36,863	41	32%	46,868	60	21%	(19)	-31%	-6%
A-80 and other	17,311	21	17%	32,491	41	14%	(20)	-49%	-7%
Consumer goods		90	15%		96	12%	(6)	-6%	-1%
Passenger car	6	41	45%	5	46	48%	(5)	-11%	-5%
Electronics	415	22	24%	237	21	22%	1	5%	1%
All types of medicine	249	10	11%	269	8	8%	2	21%	2%
Other consumer goods	2,672	18	20%	2,612	21	22%	(4)	-18%	-4%
Nutrimint		28	4%		24	3%	3	15%	0%
Powder, rice, bread	6,797	7	24%	5,885	6	26%	0	4%	1%
Dairy produce	800	4	15%	866	3	12%	1	44%	5%
All types of fat	4,174	5	18%	4,026	5	22%	(0)	-7%	-2%
Alcohol	2,332	3	10%	3,026	3	11%	(0)	-4%	0%
Vegetable	9,117	3	9%	11,349	2	9%	0	24%	2%
Other	10,264	7	24%	8,657	5	19%	2	42%	8%
Other imports		229	37%		206	25%	23	11%	3%
Other	229			206			23	11%	11%
Total amount		614			811		(197)	-24%	

%2 - Contribution to the growth

Picture 6. Import of oil products, average border price

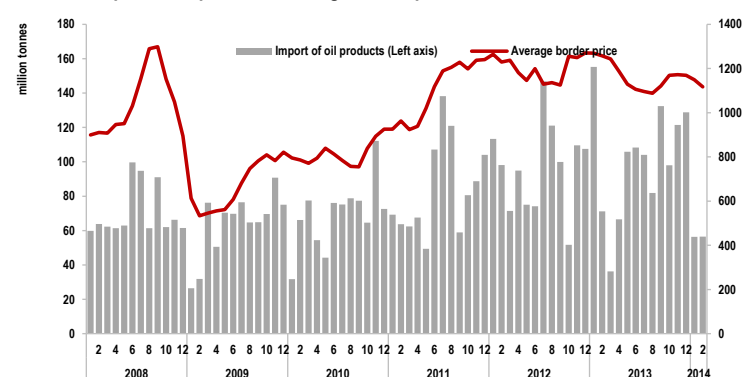
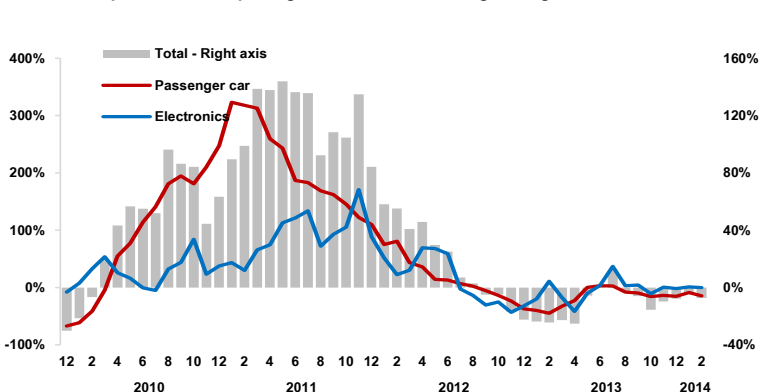


Table 5. Changes in import goods (million USD)

Types	Changes in quantity		Changes in price		Total changes	
	Quantity	%	Price	%	Total	%
Industrial inputs	8.7	-15%	(67.8)	115%	(59.1)	
Heavy mechanism, equipment	20.5	-56%	(57.0)	156%	(36.5)	-31%
Cars other than passenger	(10.6)	42%	(14.6)	58%	(25.2)	-40%
Ironwork, steel prod.	(0.5)	45%	(0.6)	55%	(1.2)	-17%
Other products	(0.7)	-20%	4.5	120%	3.8	31%
Oil	(143.3)	90%	(15.6)	10%	(158.8)	
Diesel fuel	(111.6)	93%	(8.4)	7%	(120.1)	-65%
A-92, A-95	(12.7)	69%	(5.8)	31%	(18.6)	-31%
A-80 and other	(18.9)	94%	(1.3)	6%	(20.2)	-49%
Consumer goods	(1.2)	20%	(4.8)	80%	(6.0)	
Passenger car	(3.2)	65%	(1.7)	35%	(4.9)	-11%
Electronics	0.4	43%	0.6	57%	1.0	5%
All types of medicine	0.4	23%	1.3	77%	1.7	21%
Other consumer goods	1.2	-31%	(5.0)	131%	(3.8)	-18%
Nutrimint	1.2	36%	2.2	64%	3.5	
Powder, rice, bread	0.1	49%	0.1	51%	0.2	4%
Dairy produce	(0.2)	-16%	1.5	116%	1.3	44%
All types of fat	0.3	-87%	(0.7)	187%	(0.4)	-7%
Alcohol	(0.2)	211%	0.1	-111%	(0.1)	-4%
Vegetable	0.2	37%	0.3	63%	0.5	24%
Other	1.1	54%	0.9	46%	2.0	42%
Other imports	10.6	46%	12.5	54%	23.1	
Other	10.6	46%	12.5	54%	23.1	11%
Total amount	(123.9)		(73.4)		(197.4)	

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.