



MONGOLIA'S FOREIGN TRADE REVIEW

March 2014

Total trade turnover: \$1,982.9 millions

As of March 2014 the total cumulative trade turnover fell by 1.6% (USD 31.3 millions) from that of the previous year and reached USD 1,982.9 millions. The decrease in the trade turnover was due to the decrease in imports by USD 209.1 millions.

The structure of the trade flows with the neighboring trade partners is as following: (i) trade with PRC: 56% or USD 1,117.4 millions and (ii) trade with Russia: 16% or USD 312.1 millions. The trade volume between Mongolia and China increased by 9% and the trade volume between Mongolia and Russia declined by 2%.

Trade balance: -\$9 million

As of March 2014, the cumulative trade balance decreased by 97.7% (USD 386.8 millions) from that of the previous year and reached USD -9 millions. During the reporting period the total exports increased by 22.0% from that of the previous year, imports decreased by 17.3% from that of the previous year, thus the trade balance improved by USD 386.8 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: +\$37.8 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 March 2014, the trade balance of paid trade flows reached USD 37.8 millions. During the reporting period, paid imports decreased by 14%, and paid exports increased by 20.1% that of previous year.

Terms of trade: 1.473

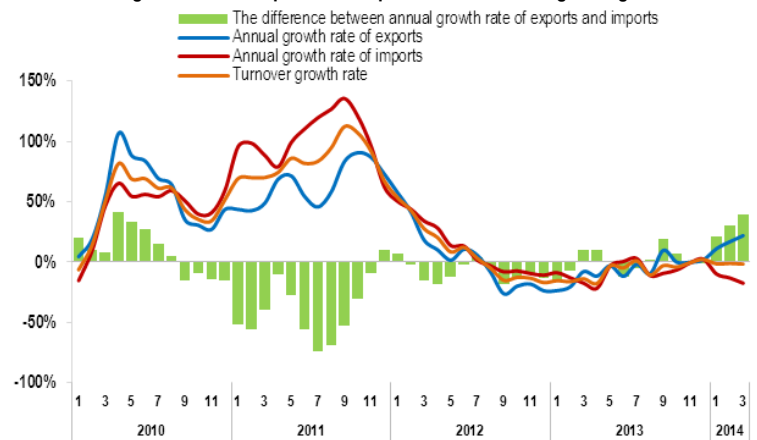
As of March 2014, terms of trade index (2000 base year) increased by 17.1% from that of the previous year and reached 1.473 which was the first positive growth since January 2012.

This increase in the terms of trade is mainly attributed to the fall in import prices of petroleum and industrial inputs and rise in export prices of exporting commodities.

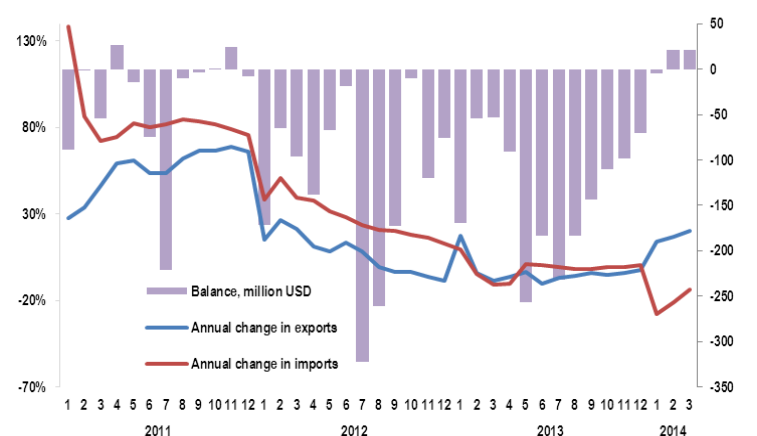
Table 1. The foreign trade performance /million USD/

| Type | First 3 months | | | Changes | | | |
|----------|----------------|---------|---------|-----------|--------|-----------|--------|
| | 2014 | 2013 | 2012 | 2014/2013 | | 2013/2012 | |
| | | | | Дүн | Хувь | Дүн | Хувь |
| Turnover | 1,982.9 | 2,014.2 | 2,335.7 | (31.3) | -1.6% | (321.5) | -13.8% |
| Export | 986.9 | 809.2 | 877.8 | 177.7 | 22.0% | (68.6) | -7.8% |
| Import | 996.0 | 1,205.0 | 1,457.9 | (209.1) | -17.3% | (252.9) | -17.3% |
| Balance | (9.1) | (395.8) | (580.1) | 386.8 | -97.7% | 184.3 | -31.8% |

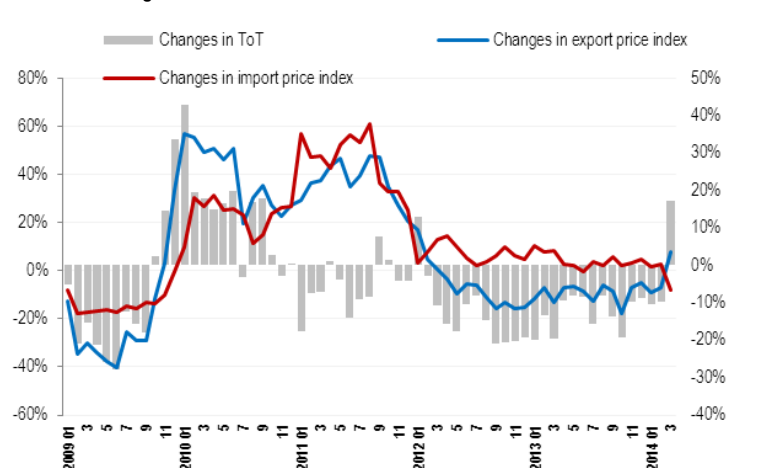
Picture 1. The growth rate of exports and imports /3 month moving average/



Picture 2. The trade paid in hard currency



Picture 3. Changes in terms of trade



Composition: 93%+ 7%

The share of mineral exports in total exports was 93% of the total export and increased by 0.6 points from that of the previous year.

Coal, copper concentrate, iron ore and concentrate and crude oil have a weight of nearly 80% of total export and 87% of mining export.

In addition, these 4 products' share in the mining exports increased by 1.2 points from that of the previous year, share in the total exports increased by 1.6 points.

Growth: +22.0%

Mongolian export increased by 22.0% from that of the previous year, which was mainly affected by 21.1% increase in mineral exports. Exports of copper concentrate, crude oil and non monetary gold increased by 67%, 68% and 110%, respectively, which accounted for 34% in growth of mining export. On the other hand, zinc ore and iron ore export decreased by nearly 35%, 66% respectively, which accounted for 10% decrease in the growth of mining export.

Changes

As of March 2014, Mongolian export increased by 177.7 million USD from that of the previous year. It is affected by the increase of export commodities' quantities (USD 185.8 millions) and decrease in export commodities' prices (USD 8.1 millions).

Because of the increase in crude oil, copper concentrate and non monetary gold quantities, mining export increased by 219 millions USD. On the other hand, because of decrease in prices of coal and iron ore and decrease in quantities of iron ore and zinc ore, mining export declined by 94 million USD.

Although the export price of cashmere and cashmere product increased, cashmere export decreased by 0.9 million USD from that of the previous year due to decrease in quantity.

For other exports, prices and quantities both increased, so total of other export increased by almost 8 millions USD.

World market prices for primary commodities

As of March 31 2014, gold price reached 1,284.0 USD, decreased by 19.6% from that of the previous year and 3.2% from that of the last month.

As of March 31 2014, copper and zinc prices reached 6,650.0 and 1,970.3 USD, decreased by 6.1%, 6.7% from that of the previous month respectively. Copper price decreased by 11.4%, zinc price increased by 5.7% from that of the previous year 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 | | 918 | 93% | | 748 | 92% | 170 | 23% | 21% |
| Coal | 3,735 | 206 | 21% | 3,445 | 209 | 26% | (3) | -1% | 0% |
| Copper concentrate | 214 | 349 | 35% | 140 | 209 | 26% | 140 | 67% | 19% |
| Iron ore /conc. | 909 | 81 | 8% | 1,122 | 126 | 16% | (44) | -35% | -6% |
| Crude oil | 1,608 | 158 | 16% | 982 | 94 | 12% | 64 | 68% | 9% |
| Zinc ore/concentrate | 15 | 15 | 1% | 42 | 43 | 5% | (28) | -66% | -4% |
| Non monetary gold | 2,171 | 90 | 9% | 1,020 | 43 | 5% | 47 | 110% | 6% |
| Spar, leucine, nepheline | 56 | 12 | 1% | 64 | 15 | 2% | (3) | -20% | 0% |
| Molybdenum ore/conc. | 1 | 7 | 1% | 1 | 9 | 1% | (1) | -16% | 0% |
| 2. Cashmere | | 5.7 | 1% | | 6.6 | 1% | (1) | -14% | 0% |
| Washed cashmere | 43 | 2 | 0% | 48 | 2 | 0% | (0.2) | -1% | -3% |
| Combed cashmere | 39 | 4 | 0% | 53 | 5 | 1% | (0.7) | -14% | -1% |
| 3. Other | | 63 | 6% | | 55 | 7% | 8 | 15% | 1% |
| Total amount | | 987 | | | 809 | | 177.7 | 22.0% | |

%2 - Contribution to the growth

Picture 4. Coal export, market price (USD)

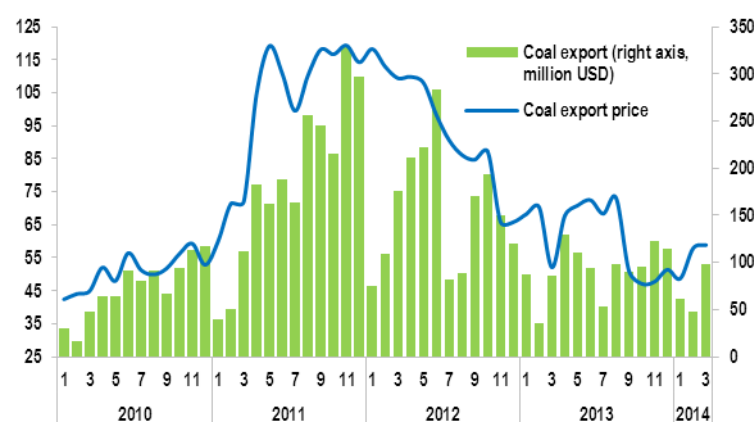
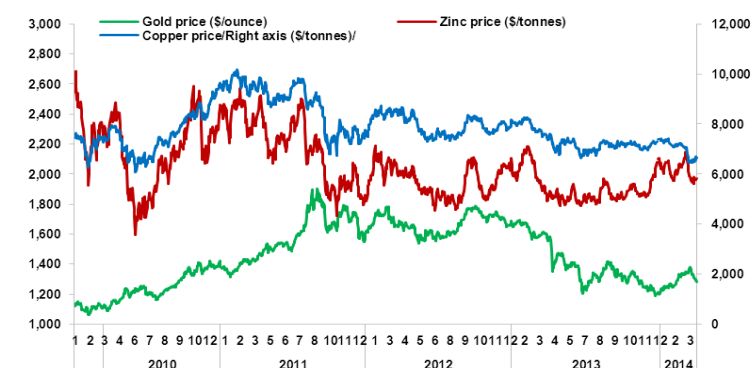


Table 3. Changes in export goods (million USD)

| | Changes in quantity | | Changes in price | | Total changes | |
|--------------------------|---------------------|--------------|------------------|--------------|---------------|--------------|
| | | % | | % | | % |
| 1. Minerals | | 183 | | (12) | | 170 |
| Coal | 18 | -564% | (21) | 664% | (3) | -1% |
| Copper concentrate | 111 | 79% | 29 | 21% | 140 | 67% |
| Iron ore /conc. | (24) | 54% | (21) | 46% | (44) | -35% |
| Crude oil | 60 | 94% | 4 | 6% | 64 | 68% |
| Zinc ore/concentrate | (28) | 98% | (1) | 2% | (28) | -66% |
| Non monetary gold | 48 | 102% | (1) | -2% | 47 | 110% |
| Spar, leucine, nepheline | (2) | 66% | (1) | 34% | (3) | -20% |
| Molybdenum ore/conc. | (0) | 20% | (1) | 80% | (1) | -16% |
| 2. Cashmere | | (15) | | 0.6 | | (1) |
| Washed cashmere | (0.2) | 98% | (0.0) | 2% | (0.2) | -1% |
| Combed cashmere | (13) | 184% | 0.6 | -84% | (0.7) | -14% |
| 3. Other | | 5 | | 4 | | 8 |
| Total | | 185.8 | | (8.1) | | 177.7 |

Picture 5. Market price of gold, zinc, copper



Composition: 20% + 23%

As of March 2014, 43% of total imports were oil products and industrial inputs' imports, 18% 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 12 points from that of the previous year. This decrease in share is mainly affected by import of oil and industrial inputs. On the other hand, the share of consumer goods and food imports in total imports increased from that of the previous year.

Growth: -17.3%

Mongolian imports decreased by 17.3% from that of the previous year. Main contributors of this decrease were industrial inputs' decrease, which equal to 10% of the total decrease, and oil import which equal to 8% of the total decrease.

Oil and industrial inputs' imports decreased by 30% (100 millions USD) and 38% (122 millions USD) respectively. Thus total import decreased from that of the previous year.

Changes

Prices and quantities of import goods both decreased by 148.6 and 60.4 millions USD respectively, thus total imports decreased by 209.1 millions USD from that of the previous year.

Because of decrease in quantities, oil import decreased by 83.7 million USD, thus total oil import decreased by 115.1 millions USD from that of the previous year. The oil price on the border decreased from beginning of 2012 to august 2012. Since then, the oil price increased slightly, but from October 2012 it is decreasing slowly. (Figure 6).

Mainly led by the decrease in prices, industrial inputs' import declined by almost 122.0 millions USD. Decrease in the import of consumer goods is affected by the decline of consumer goods price.

Import of the primary consumer products*

As of March 2014, growth of primary consumer products' import, which calculated by 3 month moving average method, decreased by 4% / Figure 7/.

Although annual growth of electronics import had been decreasing from mid of 2012, it has been relatively stable since August 2013. On the other hand, passenger cars import has been declining since August 2014.

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

| Types | 2014 | | | 2013 | | | Changes | | |
|----------------------------|--------------------------------------|------------|------------|--------------------------------------|--------------|------------|--------------|-------------|-------------|
| | Quar/unit (tonnes, thousand of unit) | Amount | % | Quar/unit (tonnes, thousand of unit) | Amount | % | Amount | Percentage | Percentage |
| Industrial inputs | | 203 | 20% | | 325 | 27% | (122) | -38% | -10% |
| Heavy mechanism, equipment | 6,163 | 118 | 58% | 3,483 | 189 | 58% | (71) | -37% | -22% |
| Cars other than passenger | 187 | 53 | 26% | 201 | 109 | 33% | (56) | -51% | -17% |
| Ironwork, steel prod. | 5,545 | 8 | 4% | 6,127 | 9 | 3% | (1) | -12% | 0% |
| Other products | 126,404 | 24 | 12% | 113,772 | 18 | 6% | 6 | 31% | 2% |
| Oil | | 232 | 23% | | 332 | 28% | (100) | -30% | -8% |
| Diesel fuel | 109,285 | 119 | 51% | 167,030 | 209 | 63% | (90) | -43% | -27% |
| A-92, A-95 | 70,290 | 78 | 34% | 52,368 | 66 | 20% | 11 | 17% | 3% |
| A-80 and other | 29,846 | 35 | 15% | 43,320 | 57 | 17% | (21) | -38% | -6% |
| Consumer goods | | 141 | 14% | | 147 | 12% | (6) | -4% | 0% |
| Passenger car | 9 | 65 | 46% | 9 | 76 | 52% | (11) | -14% | -7% |
| Electronics | 692 | 32 | 22% | 270 | 28 | 19% | 4 | 15% | 3% |
| All types of medicine | 400 | 15 | 11% | 392 | 13 | 9% | 3 | 20% | 2% |
| Other consumer goods | 6,160 | 29 | 20% | 3,618 | 31 | 21% | (2) | -6% | -1% |
| Nutrimnt | | 42 | 4% | | 35 | 3% | 7 | 18% | 1% |
| Pow der, rice, bread | 16,683 | 12 | 29% | 9,423 | 10 | 28% | 2 | 24% | 7% |
| Dairy produce | 1,120 | 6 | 14% | 1,166 | 4 | 11% | 2 | 48% | 5% |
| All types of fat | 5,722 | 7 | 16% | 5,539 | 7 | 21% | (1) | -7% | -2% |
| Alcohol | 3,653 | 4 | 9% | 4,260 | 4 | 11% | (0) | -3% | 0% |
| Vegetable | 14,131 | 4 | 10% | 17,453 | 3 | 9% | 1 | 23% | 2% |
| Other | 13,824 | 9 | 22% | 13,544 | 7 | 20% | 2 | 31% | 6% |
| Other imports | | 378 | 38% | | 366 | 30% | 12 | 3% | 1% |
| Other | | 378 | | | 366 | | 12 | 3% | 3% |
| Total amount | | 996 | | | 1,205 | | (209) | -17% | |

%2 - Contribution to the growth

Picture 6. Import of oil products, average border price

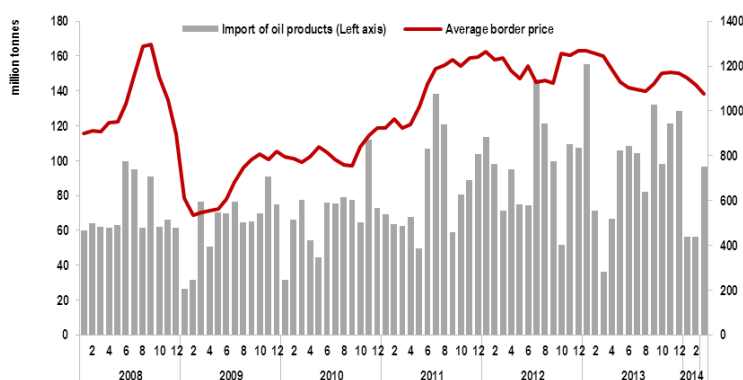
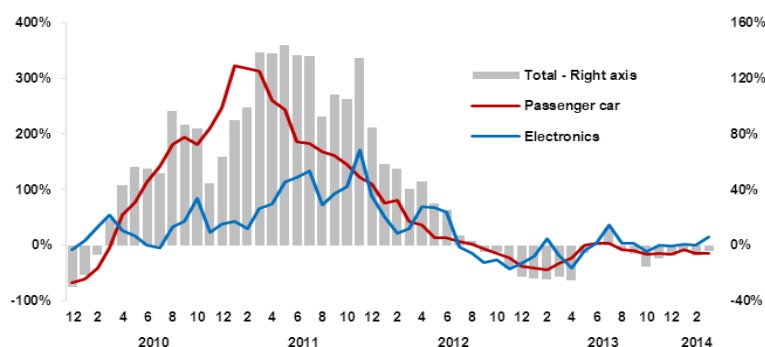


Table 5. Changes in import goods (million USD)

| Types | Changes in quantity | | Changes in price | | Total changes | |
|----------------------------|---------------------|-------------|------------------|-------------|----------------|------|
| | Quantity | % | Price | % | Total | % |
| Industrial inputs | 0.1 | 0% | (122.2) | 100% | (122.0) | |
| Heavy mechanism, equipment | 27.3 | -39% | (98.0) | 139% | (70.8) | -37% |
| Cars other than passenger | (25.5) | 46% | (30.4) | 54% | (55.9) | -51% |
| Ironwork, steel prod. | (0.7) | 67% | (0.4) | 33% | (1.1) | -12% |
| Other products | (0.9) | -16% | 6.6 | 116% | 5.7 | 31% |
| Oil | (83.7) | 73% | (31.3) | 27% | (115.1) | |
| Diesel fuel | (72.1) | 80% | (17.6) | 20% | (89.7) | -43% |
| A-92, A-95 | 22.7 | 200% | (11.4) | -100% | 11.4 | 17% |
| A-80 and other | (34.3) | 94% | (2.4) | 6% | (36.7) | -38% |
| Consumer goods | 5.4 | -94% | (11.2) | 194% | (5.8) | |
| Passenger car | (6.9) | 65% | (3.7) | 35% | (10.5) | -14% |
| Electronics | 12.4 | 303% | (8.3) | -203% | 4.1 | 15% |
| All types of medicine | 0.3 | 11% | 2.3 | 89% | 2.5 | 20% |
| Other consumer goods | (0.4) | 20% | (1.5) | 80% | (1.9) | -6% |
| Nutrimnt | 1.5 | 24% | 5.0 | 76% | 6.5 | |
| Pow der, rice, bread | (0.1) | -4% | 2.5 | 104% | 2.4 | 24% |
| Dairy produce | (0.1) | -7% | 2.0 | 107% | 1.9 | 48% |
| All types of fat | 0.7 | -126% | (1.2) | 226% | (0.5) | -7% |
| Alcohol | 0.1 | -52% | (0.2) | 152% | (0.1) | -3% |
| Vegetable | 0.4 | 52% | 0.4 | 48% | 0.7 | 23% |
| Other | 0.6 | 28% | 1.6 | 72% | 2.2 | 31% |
| Other imports | 16.2 | 59% | 11.2 | 41% | 27.3 | |
| Other | 16.2 | 59% | 11.2 | 41% | 27.3 | 3% |
| Total amount | (60.4) | | (148.6) | | (209.1) | |

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.