



MONGOLIA'S FOREIGN TRADE REVIEW

Jun 2014

Total trade turnover: \$5,117.8 millions

As of Jun 2014 the total cumulative trade turnover increased by 0.5% (USD 23.4 millions) from that of the previous year and reached USD 5,117.8 millions. The increase in the trade turnover was due to the increase in exports by USD 457.1 millions.

The structure of the trade flows with the neighboring trade partners is as following: (i) trade with PRC: 61% or USD 3,114.3 millions and (ii) trade with Russia: 15% or USD 785.1 millions. The trade volume between Mongolia and China increased by 22.1% and the trade volume between Mongolia and Russia increased by 4.6%.

Trade balance: -\$156.1 million

As of Jun 2014, the cumulative trade balance decreased by 85.1% (USD 890.9 millions) from that of the previous year and reached USD -156.1 millions. During the reporting period the total exports increased by 22.6% from that of the previous year, imports decreased by 14.1% from that of the previous year, thus the trade balance improved by USD 890.9 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 the beginning of 2014, it has been increasing.

Trade balance of paid trade flows: -\$11.4 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 Jun 2014, the trade balance of paid trade flows reached USD -11.4 millions. During the reporting period, paid imports decreased by 13.9%, and paid exports increased by 20.0% that of previous year.

Terms of trade: 1.715 (test estimation)

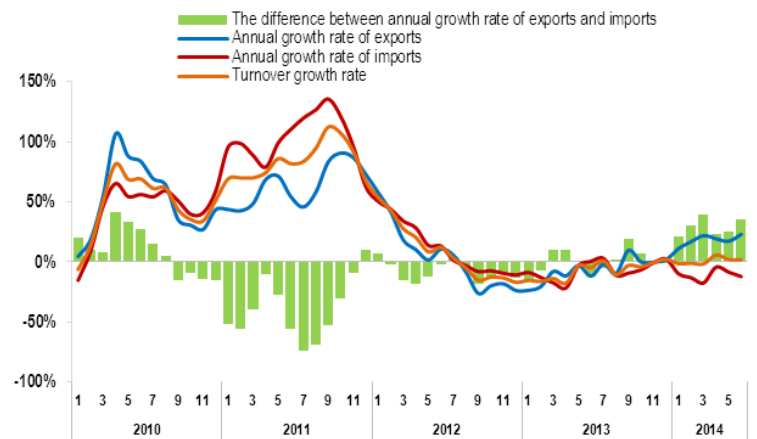
As of Jun 2014, terms of trade index (2012 base year) increased by 10.6% from that of the previous year and reached 1.715.

This increase in the terms of trade is mainly attributed to the decrease in import prices of durable consumer goods, fuels, machinery and equipment.

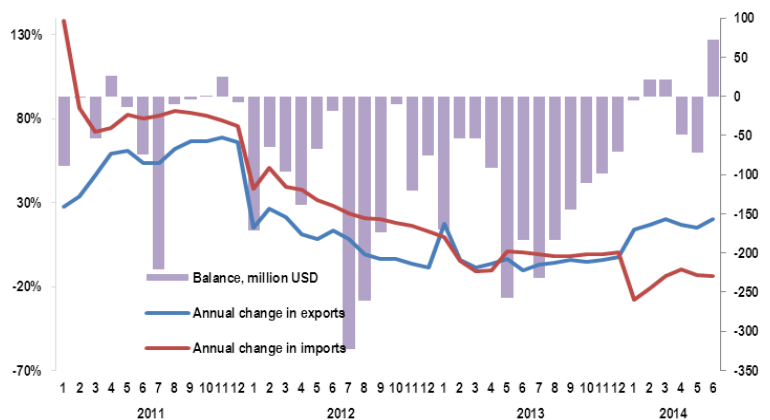
Table 1. The foreign trade performance /million USD/

Type	First 6 months			Changes			
	2014	2013	2012	2014/2013		2013/2012	
				Дүн	Хувь	Дүн	Хувь
Turnover	5,117.8	5,094.5	5,566.4	23.4	0.5%	(472.0)	-8.5%
Export	2,480.8	2,023.7	2,253.2	457.1	22.6%	(229.4)	-10.2%
Import	2,637.0	3,070.7	3,313.3	(433.7)	-14.1%	(242.5)	-7.3%
Balance	(156.1)	(1,047.0)	(1,060.1)	890.9	-85.1%	13.1	-1.2%

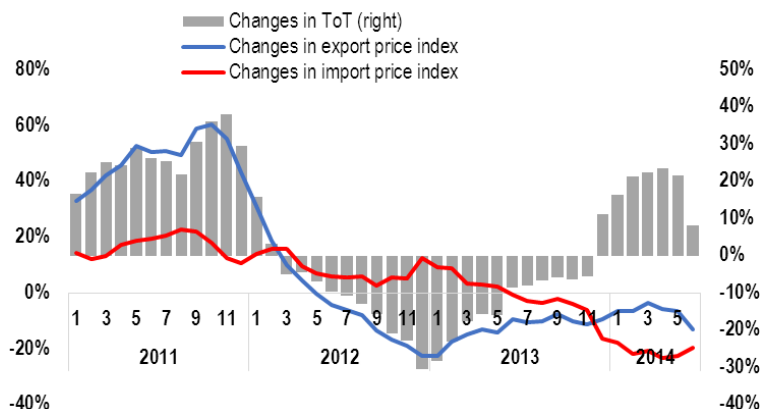
Picture1. The growth rate of exports and imports /3 month moving average/



Picture 2. The trade paid in hard currency



Picture 3. Changes in terms of trade /3 month moving average/



Composition: 86% + 14%

The share of mineral exports in total exports was 86% of the total export and decreased by 0.7 points from that of the previous year.

Coal, copper concentrate, iron ore and concentrate and crude oil have a weight of nearly 79% of total export and 92% of mining export.

In addition, these 4 products' share in the mining exports increased by 6.4 points from that of the previous year, share in the total exports increased by 5.0 points.

Growth: +22.6%

Mongolian export increased by 22.6% from that of the previous year, which was mainly affected by 18.8% increase in mineral exports. Exports of copper concentrate and crude oil increased by 144% and 58%, respectively, which accounted for 32% in growth of mining export. On the other hand, coking coal, iron ore and zinc ore export decreased by nearly 17%, 41%, 36% respectively, which accounted for 15% decrease in the growth of mining export.

Changes

As of Jun 2014, Mongolian export increased by 550.2 million USD from that of the previous year. It is affected by the increase of export commodities' quantities (USD 550.2 millions) and decrease in export commodities' prices (USD 93.1 millions).

Because of the increase in crude oil and copper concentrate quantities, mining export increased by 530 millions USD. On the other hand, because of decrease in prices of coal and iron ore and decrease in quantities of iron ore, zinc ore, and non-monetary gold mining export declined by 448 million USD.

For cashmere, cashmere products and other exports, prices and quantities both increased, which resulted in increase of 43 and 33 million USD respectively.

World market prices for primary commodities

As of Jun 30 2014, gold price reached 1,327.3 USD, increased by 7.5% from that of the previous year and increased by 6.2% from that of the last month.

As of Jun 30 2014, copper and iron ore prices reached 7,041.0 and 93.8 USD, increased by 6.2%, 2.2% from that of the previous month respectively. Copper price increased by 7.5%, iron ore price decreased by 19.5% 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	2,144	86%		1,763	87%		381	22%	19%
Coal	9,348	448	18%	7,484	542	27%	(95)	-17%	-5%
Copper concentrate	583	986	40%	283	404	20%	582	144%	33%
Iron ore /conc.	2,598	208	8%	3,197	351	17%	(143)	-41%	-8%
Crude oil	3,193	320	13%	2,138	202	10%	118	58%	7%
Zinc ore/concentrate	45	48	2%	78	75	4%	(27)	-36%	-2%
Non monetary gold	2,171	90	4%	3,210	135	7%	(46)	-34%	-3%
Spar, leucine, nepheline	188	30	1%	142	36	2%	(5)	-15%	0%
Molybdenum ore/conc.	2	13	1%	2	16	1%	(3)	-19%	0%
2. Cashmere	202.7	8%		159.3	8%		43	27%	2%
Washed cashmere	3,264	182	7%	3,054	142	7%	40.6	29%	25%
Combed cashmere	203	20	1%	185	18	1%	2.8	16%	2%
3. Other	134	5%		102	5%		33	32%	2%
Total amount	2,481			2,024			457.1	22.6%	

%2 - Contribution to the growth

Picture 4. Coal export, market price (USD)

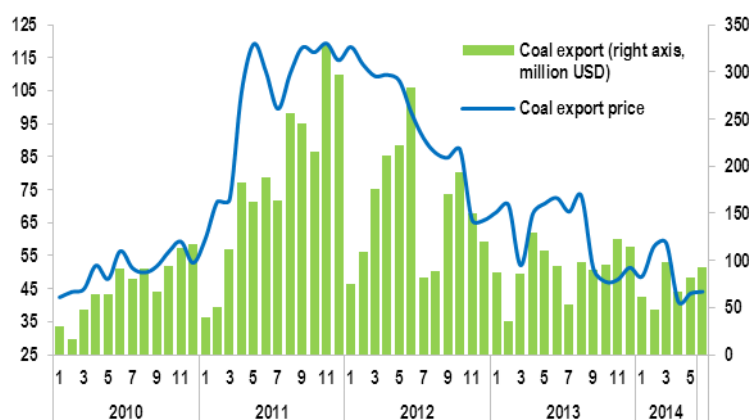
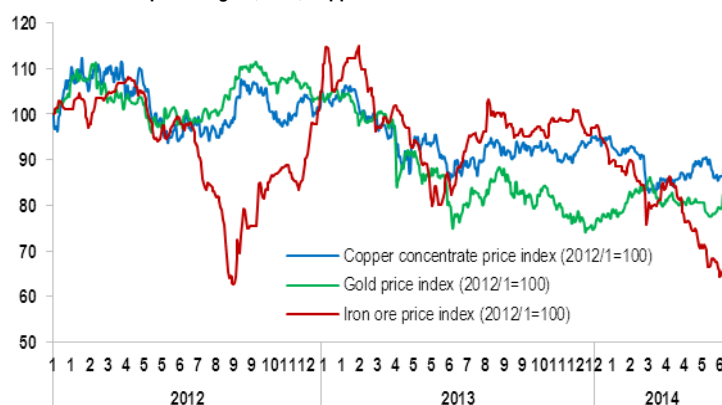


Table 3. Changes in export goods (million USD)

	Changes in quantity	%	Changes in price	%	Total changes	%
1. Minerals	520		(189)		381	
Coal	135	-143%	(230)	243%	(95)	-17%
Copper concentrate	430	74%	152	26%	582	144%
Iron ore /conc.	(66)	46%	(77)	54%	(143)	-41%
Crude oil	100	85%	18	15%	118	58%
Zinc ore/concentrate	(31)	16%	4	-16%	(27)	-36%
Non monetary gold	(44)	96%	(2)	4%	(46)	-34%
Spar, leucine, nepheline	(1)	17%	(4)	83%	(5)	-15%
Molybdenum ore/conc.	(3)	91%	(0)	9%	(3)	-19%
2. Cashmere	115		319		43	
Washed cashmere	9.8	24%	30.8	76%	40.6	29%
Combed cashmere	1.7	62%	1.1	38%	2.8	16%
3. Other	18	56%	14	44%	33	32%
Total	550.2		(93.1)		457.1	

Picture 5. Market price of gold, zinc, copper



Composition: 26% + 41% + 20%

As of Jun 2014, 26% of total imports were consumer goods, 41% were capital goods and 20% were fuels.

Share of consumer goods in total imports increased by 3% from that of the previous year and share of the capital goods decreased by 3% from that of the previous year. And the share of fuels stood at the same level.

Growth: -14.1%

Mongolian imports decreased by 14.1% from that of the previous year. Main contributors of this decrease were capital goods decrease, which equal to 12% of the total decrease, and oil import which equal to 4% of the total decrease.

Capital goods and fuels imports decreased by 26% (384 millions USD) and 17% (112 millions USD) respectively. Thus total import decreased from that of the previous year.

Breakdown

Consumer goods import decreased by 3% (23 millions USD) from that of the previous year. Main contributors of this decrease were durables goods, in particular decrease in passenger car imports.

Capital goods import decreased by 26% (384 millions USD) which was mainly contributed by 41% decrease in machinery, equipment and supplies (428 million USD). On the other hand, import of construction materials increased by 18% (55 million USD).

Intermediate goods and industrial materials import increased by 32% (76 millions USD). The main contribution was 136% increase in electricity (46 millions USD).

Fuels import decreased by 17% (112 millions USD). 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 8).

Import of the consumer goods

The growth of consumer goods import, which calculated by 3 month moving average method, is constantly declining. / Figure 7/.

Even though the import growth of non-durable consumer goods was relatively stable, that of durable consumer goods was declining by the bigger phase.

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

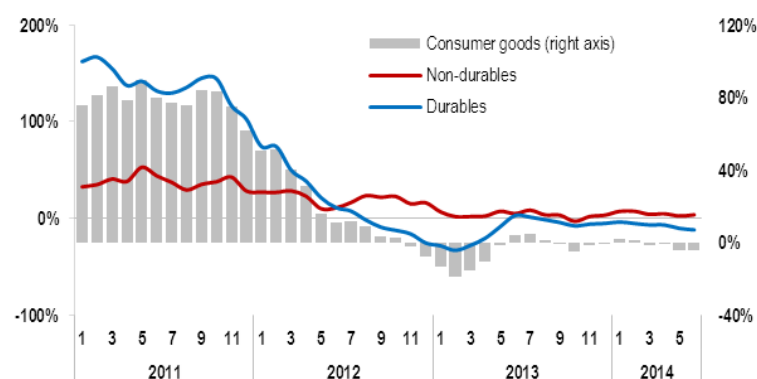
Types	2014		2013		Changes		
	Amount	%	Amount	%	Amount	%	%2*
Consumer goods	691	26%	714	23%	(23)	-3%	-1%
Non-durables	362	14%	349	11%	13	4%	2%
Food	251	10%	250	8%	1	0%	0%
Medicinal and pharmaceutical products	39	1%	36	1%	3	9%	0%
Other non-durables	73	3%	64	2%	9	14%	1%
Durables	329	12%	365	12%	(36)	-10%	-5%
Clothing	27	1%	24	1%	4	15%	1%
Household electrical appliances and furniture	64	2%	68	2%	(4)	-6%	-1%
Passenger cars and parts	199	8%	242	8%	(44)	-18%	-6%
Other durables	39	1%	31	1%	8	26%	1%
Capital goods	1082	41%	1466	48%	(384)	-26%	-12%
Machinery, equipment, supplies and vehicles	609	23%	1037	34%	(428)	-41%	-29%
Vehicles other than passenger cars, parts	176	7%	429	14%	(254)	-59%	-17%
Machinery, equipment and supplies	433	16%	608	20%	(175)	-29%	-12%
Construction materials	365	14%	310	10%	55	18%	4%
Other capital goods	108	4%	119	4%	(11)	-9%	-1%
Intermediate goods and industrial materials	316	12%	240	8%	76	32%	2%
Food ingredients (w heat, malt etc)	20	1%	8	0%	12	142%	5%
Chemical products	47	2%	45	1%	2	5%	1%
Yarn, fabrics, textiles, leather	7	0%	8	0%	(0)	-5%	0%
Electricity	80	3%	34	1%	46	136%	19%
Metal ores and scrap	0	0%	0	0%	0	6%	0%
Other industrial materials	162	6%	146	5%	16	11%	7%
Fuels	538	20%	650	21%	(112)	-17%	-4%
Diesels	301	11%	375	12%	(74)	-20%	-11%
Gasolines A92-95	154	6%	154	5%	(1)	0%	0%
Gasolines A80 and other fuels	84	3%	121	4%	(37)	-31%	-6%
Other	10	0%	1	0%	9	731%	0%
TOTAL	2,637		3,071		(434)	-14%	

*%2 - Contribution to the growth

Picture 6. Breakdown of import /3 month moving average/



Picture 7. Import of consumer goods /3 month moving average/



Picture 8. Import of oil products, average border price

