



# MONGOLIA'S FOREIGN TRADE REVIEW

Sep 2014

## Total trade turnover: \$8,068.1 millions

As of Sep 2014 the total cumulative trade turnover increased by 1.8% (USD 144.8 millions) from that of the previous year and reached USD 8,068.1 millions. The increase in the trade turnover was due to the increase in exports by USD 924.0 millions.

The structure of the trade flows with the neighboring trade partners is as following: (i) trade with PRC: 61.4% or USD 4,956.7 millions and (ii) trade with Russia: 15.3% or USD 1,232.6 millions. The trade volume between Mongolia and China increased by 22.7% and the trade volume between Mongolia and Russia increased by 2.9%.

## Trade balance: -\$24.4 million

As of Sep 2014, the cumulative trade balance decreased by 98.6% (USD 1,703.2 millions) from that of the previous year and reached USD -24.4 millions. During the reporting period the total exports increased by 29.8% from that of the previous year, imports decreased by 16.1% from that of the previous year, thus the trade balance improved by USD 1,703.2 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: \$213.7 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 Sep 2014, the trade balance of paid trade flows reached USD 213.7 millions. During the reporting period, paid imports decreased by 16.0%, and paid exports increased by 28.0% from that of previous year.

## Terms of trade: 1.585 (test estimation)

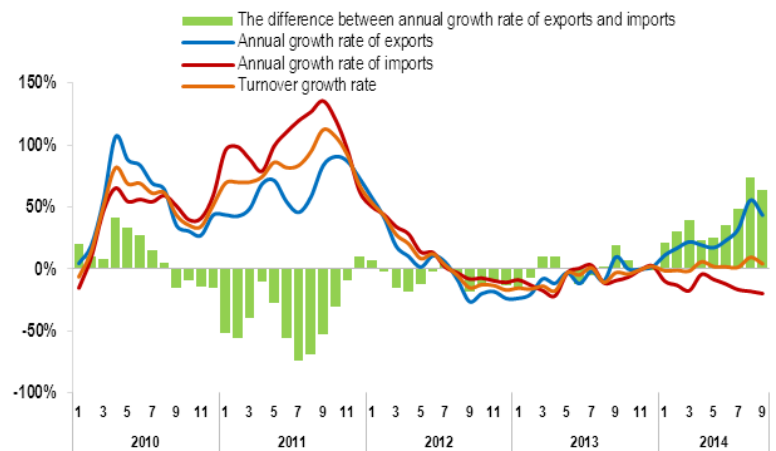
As of Sep 2014, terms of trade index (2012 base year) increased by 8.5% from that of the previous year and reached 1.585.

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

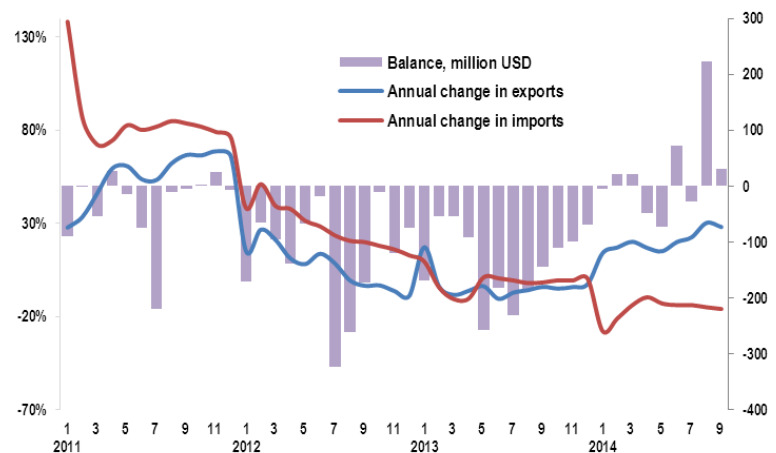
Table 1. The foreign trade performance /million USD/

Type	First 9 months			Changes			
	2014	2013	2012	2014/2013		2013/2012	
				Дүн	Хувь	Дүн	Хувь
Turnover	8,068.1	7,923.3	8,477.4	144.8	1.8%	(554.1)	-6.5%
Export	4,021.8	3,097.8	3,231.6	924.0	29.8%	(133.8)	-4.1%
Import	4,046.2	4,825.4	5,245.8	(779.2)	-16.1%	(420.4)	-8.0%
Balance	(24.4)	(1,727.6)	(2,014.2)	1,703.2	-98.6%	286.6	-14.2%

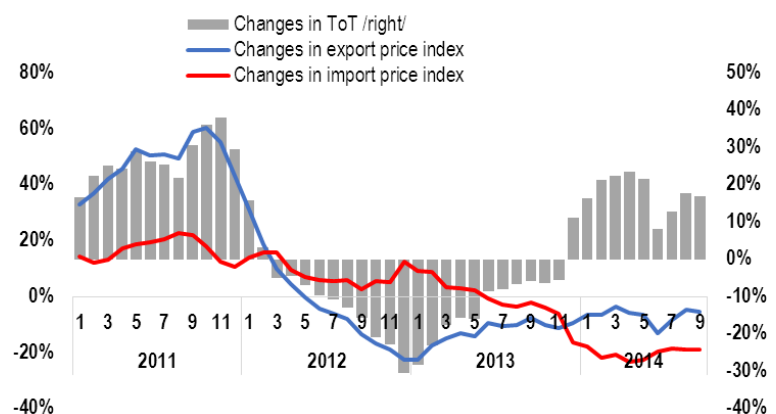
Picture1. The growth rate of exports and imports /3 month moving average/



Picture 2. The trade paid in hard currency



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



**Composition: 87% + 13%**

The share of mineral exports in total exports decreased by 0.3 points from that of the previous year and reached 87%.

Exports of coal, copper concentrate, iron ore and concentrate and crude oil have a weight of nearly 78% of total exports and 89% of mining exports.

In addition, these 4 products' share in the mining exports increased by 4.8 points from that of the previous year, share in the total exports increased by 3.9 points.

**Growth: +29.8%**

Mongolian export increased by 29.8% from that of the previous year, which was mainly affected by 29.4% increase in mineral exports. Exports of copper concentrate and crude oil increased by 148% and 43%, respectively, which accounted for 43% in growth of mining export. On the other hand, coking coal and iron ore export decreased by nearly 19%, 34% respectively, which accounted for 12% decrease in the growth of mining export.

**Changes**

As of Sep 2014, Mongolian export increased by 924.0 million USD from that of the previous year. It is affected by the increase of export commodities' quantities (USD 952.3 millions) and decrease in export commodities' prices (USD 28.3 millions).

Because of the increase in crude oil and copper concentrate quantities, mining export increased by 870 millions USD. On the other hand, because of decrease in prices of coal, iron ore and decrease in quantities of iron ore, zinc ore mining export declined by 476 million USD.

Cashmere, cashmere products and other exports increased by 36.5 and 90.4 million USD respectively.

**World market prices for primary commodities**

As of Sep 30 2014, gold price reached 1,208.2 USD, decreased by 9.1% from that of the previous year and by 6.1% from that of the last month.

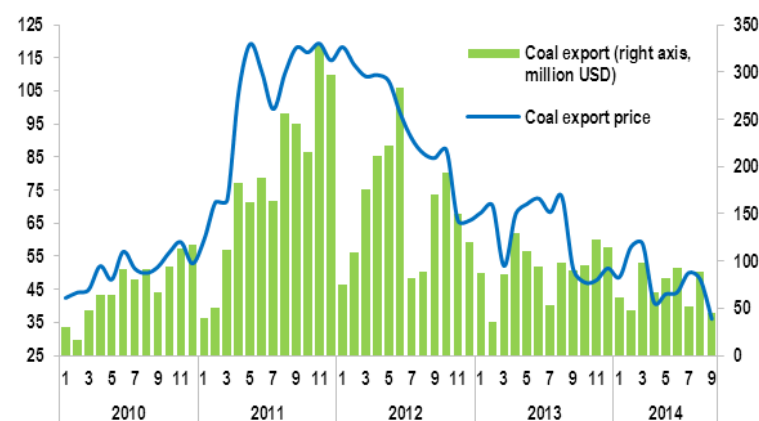
As of Sep 30 2014, copper and iron ore prices reached 6,720.0 and 78.0 USD, decreased by 4.1%, 11.3% from that of the previous month respectively. Copper price decreased by 7.8%, iron ore price decreased by 40.6% from that of the previous year.

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

	2014			2013			Changes		
	Quant (thou. tonnes, kg)	Amount	%	Quant (thou. tonnes, kg)	Amount	%	Amount	%	% 2
<b>1. Minerals</b>	<b>3,509</b>	<b>87%</b>		<b>2,712</b>	<b>88%</b>		<b>797</b>	<b>29%</b>	<b>26%</b>
Coal	13,473	633	16%	11,357	783	25%	(60)	-19%	-6%
Copper concentrate	966	1,684	42%	469	680	22%	1,004	148%	37%
Iron ore /conc.	4,158	314	8%	4,689	478	15%	(164)	-34%	-6%
Crude oil	5,051	500	12%	3,535	349	11%	151	43%	6%
Zinc ore/concentrate	80	90	2%	98	89	3%	1	1%	0%
Non monetary gold	5,126	214	5%	5,960	246	8%	(32)	-13%	-1%
Spar, leucine, nepheline	228	52	1%	254	64	2%	(12)	-19%	0%
Molybdenum ore/conc.	3	22	1%	3	23	1%	(1)	-4%	0%
<b>2. Cashmere</b>	<b>256.6</b>	<b>6%</b>		<b>220.1</b>	<b>7%</b>		<b>37</b>	<b>17%</b>	<b>1%</b>
Washed cashmere	3,889	215	5%	3,915	181	6%	35.0	19%	16%
Combed cashmere	48	41	1%	402	39	1%	15	4%	1%
<b>3. Other</b>	<b>256</b>	<b>6%</b>		<b>166</b>	<b>5%</b>		<b>90</b>	<b>54%</b>	<b>3%</b>
<b>Total amount</b>	<b>4,022</b>			<b>3,098</b>			<b>924.0</b>	<b>29.8%</b>	

%2 - Contribution to the growth

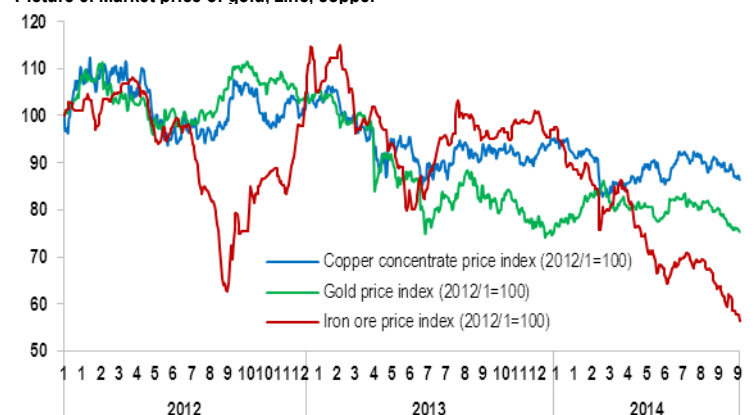
**Picture 4. Coal export, market price (USD)**



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

	Changes in quantity		Changes in price		Total changes	
	Quantity	%	Price	%	Total	%
<b>1. Minerals</b>	<b>901</b>		<b>(104)</b>		<b>797</b>	
Coal	146	-97%	(296)	197%	(150)	-19%
Copper concentrate	720	72%	284	28%	1,004	148%
Iron ore /conc.	(54)	33%	(110)	67%	(164)	-34%
Crude oil	150	99%	1	1%	151	43%
Zinc ore/concentrate	(16)	-2259%	17	2359%	1	1%
Non monetary gold	(34)	108%	3	-8%	(32)	-13%
Spar, leucine, nepheline	(7)	53%	(6)	47%	(12)	-19%
Molybdenum ore/conc.	(4)	364%	3	-264%	(1)	-4%
<b>2. Cashmere</b>	<b>0.4</b>		<b>36.2</b>		<b>37</b>	
Washed cashmere	(12)	-4%	36.2	104%	35.0	19%
Combed cashmere	16	103%	(0.0)	-3%	15	4%
<b>3. Other</b>	<b>51</b>	<b>56%</b>	<b>39</b>	<b>44%</b>	<b>90</b>	<b>54%</b>
<b>Total</b>	<b>952.3</b>		<b>(28.3)</b>		<b>924.0</b>	

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



## Composition: 25% + 42% + 21%

As of Sep 2014, 25% of total imports were consumer goods, 42% were capital goods and 21% were fuels.

Share of consumer goods in total imports increased by 2% from that of the previous year and share of the capital goods decreased by 5% from that of the previous year. And the share of fuels stood at the same level.

## Growth: -16.1%

Mongolian imports decreased by 16.1% from that of the previous year. Main contributors of this decrease were capital goods decrease, which equals to 12% of the total decrease, and oil imports which equals to 3% of the total decrease.

Capital goods and fuels imports decreased by 25% (566 millions USD) and 14% (137 millions USD) respectively. Thus total import decreased from that of the previous year.

## Breakdown

**Consumer goods** import decreased by 9% (105 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 25% (566 millions USD) which was mainly contributed by 40% decrease in machinery, equipment and supplies (586 million USD). On the other hand, import of construction materials increased by 6% (35 million USD).

**Intermediate goods and industrial materials** import increased by 4% (20 millions USD). The main contribution was 41% increase in electricity (27 millions USD).

**Fuels** import decreased by 14% (137 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, calculated by 3 month moving average method, is constantly declining. / Figure 7/.

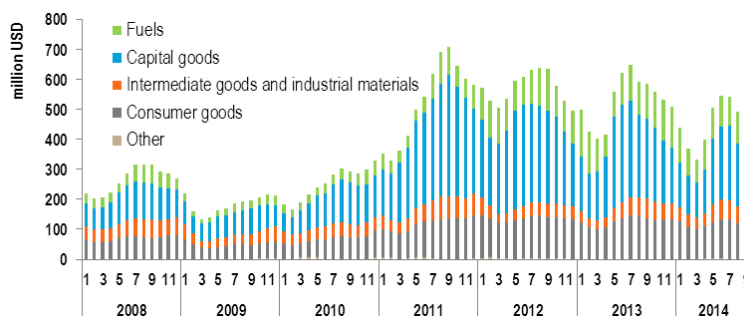
Even though the import growth of non-durable consumer goods was relatively stable, that of durable consumer goods was declining by the bigger phase.

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

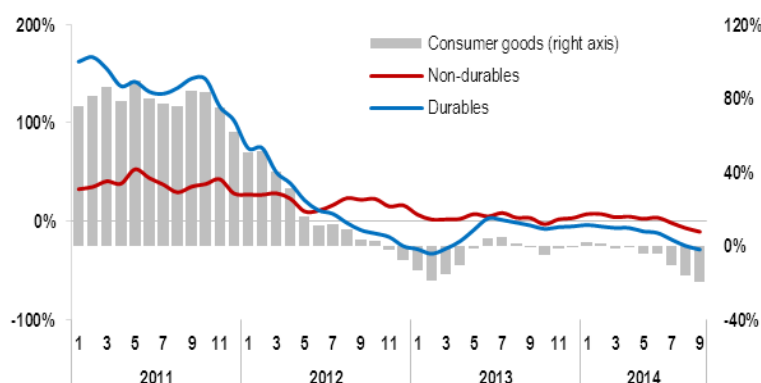
Types	2014		2013		Changes		
	Amount	%	Amount	%	Amount	%	%2*
<b>Consumer goods</b>	<b>1,022</b>	<b>25%</b>	<b>1126</b>	<b>23%</b>	<b>(105)</b>	<b>-9%</b>	<b>-2%</b>
Non-durables	546	13%	555	12%	(9)	-2%	-1%
Food	380	9%	397	8%	(17)	-4%	-2%
Medicinal and pharmaceutical products	56	1%	55	1%	1	2%	0%
Other non-durables	110	3%	103	2%	7	7%	1%
Durables	475	12%	571	12%	(96)	-17%	-8%
Clothing	43	1%	38	1%	5	13%	0%
Household electrical appliances and furniture	98	2%	107	2%	(9)	-8%	-1%
Passenger cars and parts	278	7%	373	8%	(96)	-26%	-8%
Other durables	56	1%	53	1%	4	7%	0%
<b>Capital goods</b>	<b>1694</b>	<b>42%</b>	<b>2260</b>	<b>47%</b>	<b>(566)</b>	<b>-25%</b>	<b>-12%</b>
Machinery, equipment, supplies and vehicles	878	22%	1465	30%	(586)	-40%	-26%
Vehicles other than passenger cars, parts	225	6%	502	10%	(277)	-55%	-12%
Machinery, equipment and supplies	654	16%	963	20%	(310)	-32%	-14%
Construction materials	636	16%	601	12%	35	6%	2%
Other capital goods	179	4%	195	4%	(15)	-8%	-1%
<b>Intermediate goods and industrial materials</b>	<b>455</b>	<b>11%</b>	<b>435</b>	<b>9%</b>	<b>20</b>	<b>4%</b>	<b>0%</b>
Food ingredients (w heat, malt etc)	27	1%	15	0%	12	78%	3%
Chemical products	71	2%	74	2%	(3)	-5%	-1%
Yarn, fabrics, textiles, leather	11	0%	19	0%	(7)	-40%	-2%
Electricity	93	2%	66	1%	27	41%	6%
Metal ores and scrap	0	0%	0	0%	0	58%	0%
Other industrial materials	253	6%	261	5%	(8)	-3%	-2%
<b>Fuels</b>	<b>864</b>	<b>21%</b>	<b>1,002</b>	<b>21%</b>	<b>(137)</b>	<b>-14%</b>	<b>-3%</b>
Diesels	481	12%	600	12%	(119)	-20%	-12%
Gasolines A92-95	247	6%	224	5%	23	10%	2%
Gasolines A80 and other fuels	137	3%	178	4%	(41)	-23%	-4%
<b>Other</b>	<b>12</b>	<b>0%</b>	<b>3</b>	<b>0%</b>	<b>9</b>	<b>321%</b>	<b>0%</b>
<b>TOTAL</b>	<b>4,046</b>		<b>4,825</b>		<b>(779)</b>	<b>-16%</b>	

\*%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

