



# MONGOLIA'S FOREIGN TRADE REVIEW

Oct 2014

## Total trade turnover: \$9,080.0 millions

As of Oct 2014 the total cumulative trade turnover increased by 2.9% (USD 258.9 millions) from that of the previous year and reached USD 9,080.0 millions. The increase in the trade turnover was due to the increase in exports by USD 1,125.5 millions.

The structure of the trade flows with the neighboring trade partners is as following: (i) trade with PRC: 61.0% or USD 5,543.1 millions and (ii) trade with Russia: 15.1% or USD 1,373.2 millions. The trade volume between Mongolia and China increased by 23.2% and the trade volume between Mongolia and Russia increased by 3.2%.

## Trade balance: \$131.4 million

As of Oct 2014, the cumulative trade balance decreased by 107.1% (USD 1,992.2 millions) from that of the previous year and reached USD 131.4 millions. During the reporting period the total exports increased by 32.3% from that of the previous year, imports decreased by 16.2% from that of the previous year, thus the trade balance improved by USD 1,992.2 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: \$393.8 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 Oct 2014, the trade balance of paid trade flows reached USD 393.8 millions. During the reporting period, paid imports decreased by 16.2%, and paid exports increased by 30.8% from that of previous year.

## Terms of trade: 1.555 (test estimation)

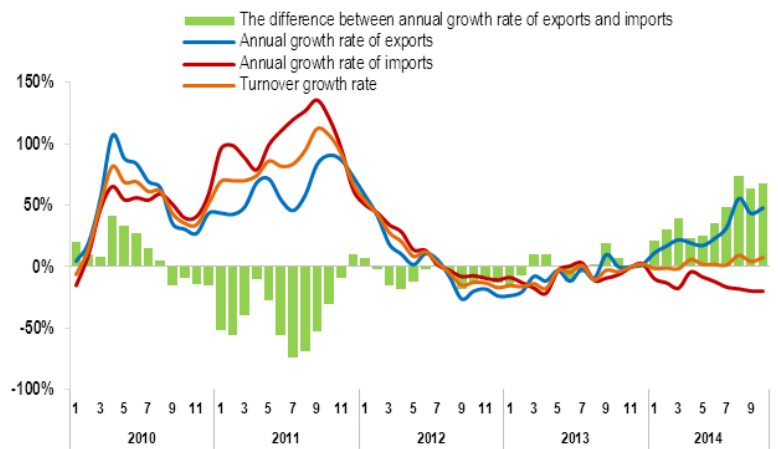
As of Oct 2014, terms of trade index (2012 base year) increased by 14.8% from that of the previous year and reached 1.585.

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

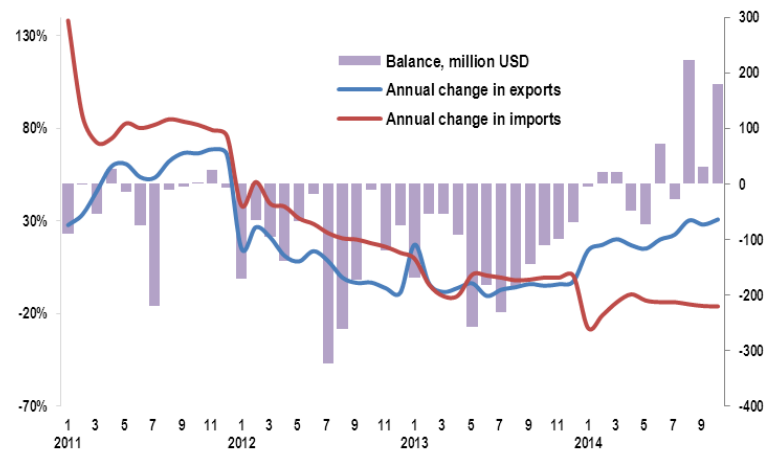
Table 1. The foreign trade performance /million USD/

Type	First 9 months			Changes			
	2014	2013	2012	2014/2013		2013/2012	
				Дүн	Хувь	Дүн	Хувь
Turnover	9,080.0	8,821.2	9,404.0	258.9	2.9%	(582.8)	-6.2%
Export	4,605.7	3,480.2	3,664.7	1,125.5	32.3%	(184.5)	-5.0%
Import	4,474.3	5,341.0	5,739.3	(866.7)	-16.2%	(398.3)	-6.9%
Balance	131.4	(1,860.8)	(2,074.6)	1,992.2	-107.1%	213.8	-10.3%

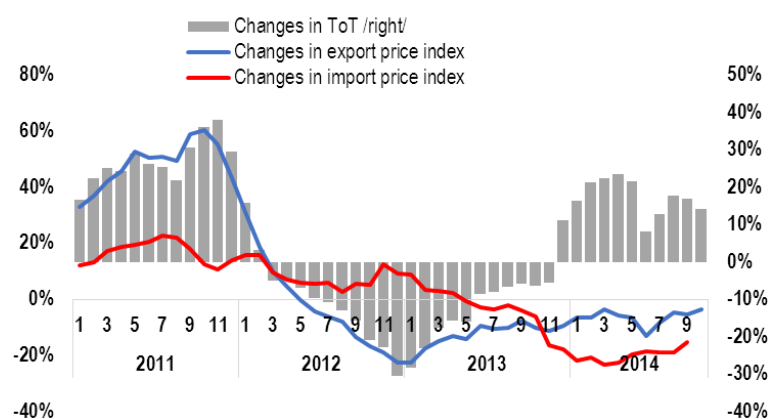
Picture 1. The growth rate of exports and imports /3 month moving average/



Picture 2. The trade paid in hard currency



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



## Composition: 88% + 12%

The share of mineral exports in total exports decreased by 0.2 points from that of the previous year and reached 88%.

Exports of coal, copper concentrate, iron ore and concentrate and crude oil have a weight of nearly 77% of total exports and 87% of mining exports.

In addition, these 4 products' share in the mining exports increased by 3.6 points from that of the previous year, share in the total exports increased by 2.9 points.

## Growth: +32.3%

Mongolian export increased by 32.3% from that of the previous year, which was mainly affected by 28.2% increase in mineral exports. Exports of copper concentrate and crude oil increased by 158% and 40%, respectively, which accounted for 44% in growth of mining export. On the other hand, coking coal and iron ore export decreased by nearly 22%, 33% respectively, which accounted for 12% decrease in the growth of mining export.

## Changes

As of Oct 2014, Mongolian export increased by 1,125.5 million USD from that of the previous year. It is affected by the increase of export commodities' quantities (USD 1,104.9 millions) and decrease in export commodities' prices (USD 20.6 millions).

Because of the increase in crude oil and copper concentrate quantities, mining export increased by 996 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 493 million USD.

Cashmere, cashmere products and other exports increased by 41.7 and 103.7 million USD respectively.

## World market prices for primary commodities

As of Oct 31 2014, gold price reached 1,172.9 USD, decreased by 11.3% from that of the previous year and by 2.9% from that of the last month.

As of Oct 31 2014, copper and iron ore prices reached 6,761.5 and 79.0 USD, increased by 0.6%, 1.3% from that of the previous month respectively. Copper price decreased by 6.6%, iron ore price decreased by 40.1% from that of the previous year.

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
<b>1. Minerals</b>	<b>4,045</b>	<b>88%</b>		<b>3,065</b>	<b>88%</b>		<b>980</b>	<b>32%</b>	<b>28%</b>
Coal	14,839	683	16%	13,391	879	25%	(195)	-22%	-6%
Copper concentrate	1,095	1,932	42%	521	749	22%	1,183	158%	39%
Iron ore/conc.	4,998	367	8%	5,505	547	16%	(180)	-33%	-6%
Crude oil	5,710	555	12%	3,999	396	11%	159	40%	5%
Zinc ore/concentrate	87	98	2%	112	102	3%	(4)	-4%	0%
Non monetary gold	7,925	324	7%	7,162	296	9%	28	9%	1%
Spar, leucine, nepheline	268	69	1%	284	71	2%	(12)	-17%	0%
Molybdenum ore/conc.	3	26	1%	3	25	1%	2	6%	0%
<b>2. Cashmere</b>	<b>269.3</b>	<b>6%</b>		<b>227.6</b>	<b>7%</b>		<b>42</b>	<b>18%</b>	<b>1%</b>
Washed cashmere	3,992	221	5%	3,944	182	5%	38.9	21%	17%
Combed cashmere	494	48	1%	458	45	1%	2.9	6%	1%
<b>3. Other</b>	<b>292</b>	<b>6%</b>		<b>188</b>	<b>5%</b>		<b>104</b>	<b>55%</b>	<b>3%</b>
<b>Total amount</b>	<b>4,606</b>			<b>3,480</b>			<b>1,125.5</b>	<b>32.3%</b>	

%2 - Contribution to the growth

Picture 4. Coal export, market price (USD)

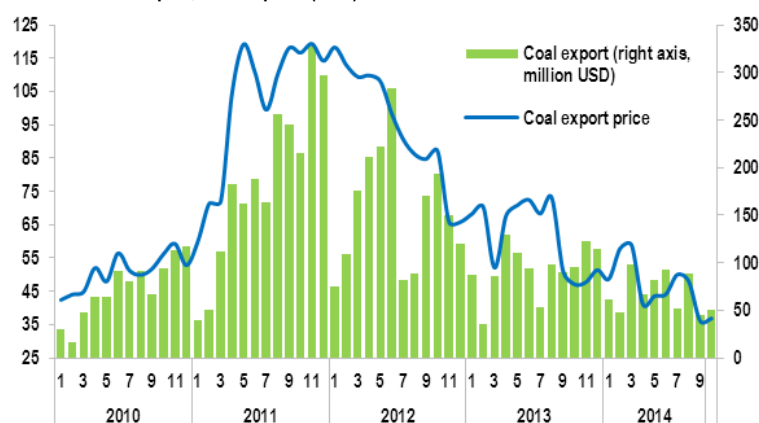
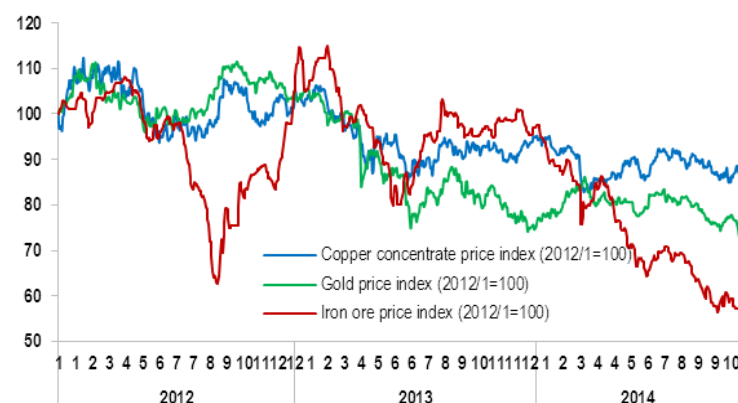


Table 3. Changes in export goods (million USD)

	Changes in quantity		Changes in price		Total changes	
	Quantity	%	Price	%	Total	%
<b>1. Minerals</b>	<b>1,041</b>		<b>(60)</b>		<b>980</b>	
Coal	95	49%	(290)	-149%	(195)	-22%
Copper concentrate	827	70%	356	30%	1,183	158%
Iron ore/conc.	(50)	-28%	(129)	-72%	(180)	-33%
Crude oil	169	17%	(11)	-7%	159	40%
Zinc ore/concentrate	(23)	-61%	19	51%	(4)	-4%
Non monetary gold	32	11%	(4)	-14%	28	9%
Spar, leucine, nepheline	(6)	-53%	(6)	-47%	(12)	-17%
Molybdenum ore/conc.	(3)	-74%	4	274%	2	6%
<b>2. Cashmere</b>	<b>5.8</b>		<b>35.9</b>		<b>42</b>	
Washed cashmere	2.2	6%	36.6	94%	38.9	21%
Combed cashmere	3.6	125%	(0.7)	-25%	2.9	6%
<b>3. Other</b>	<b>59</b>	<b>56%</b>	<b>45</b>	<b>44%</b>	<b>104</b>	<b>55%</b>
<b>Total</b>	<b>1,104.9</b>		<b>20.6</b>		<b>1,125.5</b>	

Picture 5. Market price of gold, zinc, copper



## Composition: 25% + 42% + 22%

As of Oct 2014, 25% of total imports were consumer goods, 42% were capital goods and 22% were fuels.

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

## Growth: -16.2%

Mongolian imports decreased by 16.2% from that of the previous year. Main contributors of this decrease were capital goods decrease, which equals to 11% of the total decrease, and oil imports which equals to 3% of the total decrease.

Capital goods and fuels imports decreased by 25% (614 millions USD) and 14% (157 millions USD) respectively. Thus total import decreased from that of the previous year.

## Breakdown

**Consumer goods** import decreased by 10% (125 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% (614 millions USD) which was mainly contributed by 39% decrease in machinery, equipment and supplies (631 million USD). On the other hand, import of construction materials increased by 4% (28 million USD).

**Intermediate goods and industrial materials** import increased by 4% (20 millions USD). The main contribution was 28% increase in electricity (22 millions USD).

**Fuels** import decreased by 14% (157 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/.

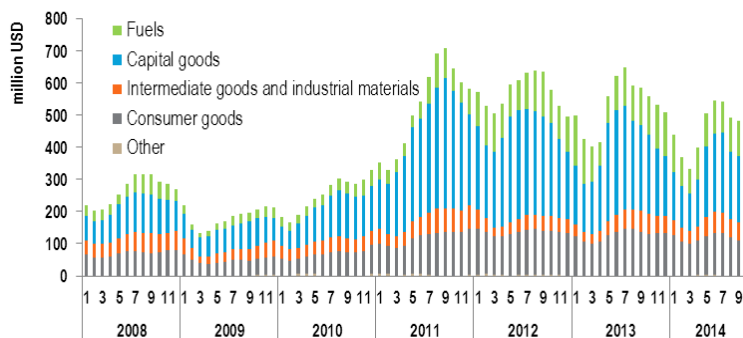
Even though the import growth of non-durable consumer goods was relatively stable, that of durable consumer goods was declining by the bigger phase.

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

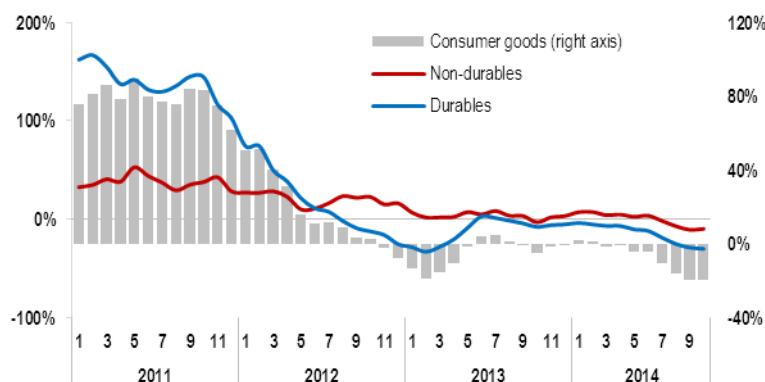
Types	2014		2013		Changes		
	Amount	%	Amount	%	Amount	%	%2*
<b>Consumer goods</b>	<b>1,135</b>	<b>25%</b>	<b>1,261</b>	<b>24%</b>	<b>(125)</b>	<b>-10%</b>	<b>-2%</b>
Non-durables	616	14%	629	12%	(14)	-2%	-1%
Food	429	10%	452	8%	(23)	-5%	-2%
Medicinal and pharmaceutical products	64	1%	62	1%	2	3%	0%
Other non-durables	123	3%	116	2%	7	6%	1%
Durables	519	12%	631	12%	(112)	-18%	-9%
Clothing	49	1%	45	1%	4	8%	0%
Household electrical appliances and furniture	109	2%	122	2%	(14)	-11%	-1%
Passenger cars and parts	301	7%	405	8%	(104)	-26%	-8%
Other durables	61	1%	59	1%	2	4%	0%
<b>Capital goods</b>	<b>1,859</b>	<b>42%</b>	<b>2,473</b>	<b>46%</b>	<b>(614)</b>	<b>-25%</b>	<b>-11%</b>
Machinery, equipment, supplies and vehicles	967	22%	1,597	30%	(631)	-39%	-26%
Vehicles other than passenger cars, parts	242	5%	528	10%	(287)	-54%	-12%
Machinery, equipment and supplies	725	16%	1,069	20%	(344)	-32%	-14%
Construction materials	697	16%	689	13%	28	4%	1%
Other capital goods	195	4%	206	4%	(11)	-6%	0%
<b>Intermediate goods and industrial materials</b>	<b>604</b>	<b>11%</b>	<b>484</b>	<b>9%</b>	<b>20</b>	<b>4%</b>	<b>0%</b>
Food ingredients (wheat, malt etc)	30	1%	17	0%	13	79%	3%
Chemical products	77	2%	81	2%	(4)	-5%	-1%
Yarn, fabrics, textiles, leather	13	0%	21	0%	(8)	-36%	-2%
Electricity	104	2%	81	2%	22	28%	5%
Metal ores and scrap	0	0%	0	0%	(0)	-10%	0%
Other industrial materials	280	6%	284	5%	(4)	-1%	-1%
<b>Fuels</b>	<b>964</b>	<b>22%</b>	<b>1,121</b>	<b>21%</b>	<b>(157)</b>	<b>-14%</b>	<b>-3%</b>
Diesels	537	12%	703	13%	(166)	-24%	-15%
Gasolines A92-95	272	6%	250	5%	23	9%	2%
Gasolines A80 and other fuels	155	3%	168	3%	(13)	-8%	-1%
<b>Other</b>	<b>12</b>	<b>0%</b>	<b>3</b>	<b>0%</b>	<b>9</b>	<b>310%</b>	<b>0%</b>
<b>TOTAL</b>	<b>4,474</b>		<b>5,341</b>		<b>(867)</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

