



# MONGOLIA'S FOREIGN TRADE REVIEW

Dec 2014

## Total trade turnover: \$11,011.2 millions

As of Dec 2014 the total cumulative trade turnover increased by 3.6% (USD 384.3 millions) from that of the previous year and reached USD 11,011.2 millions. The increase in the trade turnover was due to the increase in exports by USD 1,505.5 millions.

The structure of the trade flows with the neighboring trade partners is as following: (i) trade with PRC: 61.8% or USD 6,799.9 millions and (ii) trade with Russia: 14.6% or USD 1,610.9 millions. The trade volume between Mongolia and China increased by 23.9% and the trade volume between Mongolia while Russia decreased by 0.8%.

## Trade balance: \$537.9 million

As of Dec 2014, the cumulative trade balance improved by 125.8% (USD 2,626.7 millions) from that of the previous year and reached USD 537.9 millions. During the reporting period the total exports increased by 35.3% from that of the previous year, imports decreased by 17.6% from that of the previous year, thus the trade balance improved by USD 2,626.7 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: \$857.8 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 Dec 2014, the trade balance of paid trade flows reached USD 857.8 millions. During the reporting period, paid imports decreased by 17.9%, and paid exports increased by 34.1% from that of previous year.

## Terms of trade: 1.588 (test estimation)

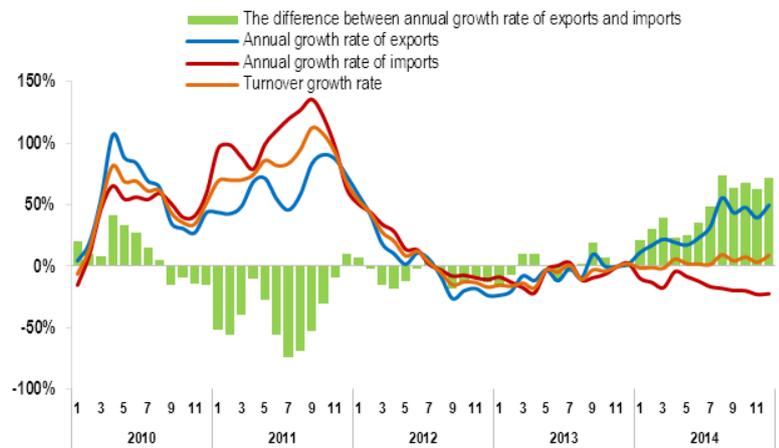
As of Dec 2014, terms of trade index (2012 base year) increased by 7.9% from that of the previous year and reached 1.588.

This increase in the terms of trade is mainly attributed to the decrease in import prices of fuels, machinery, building materials and increase in export price of copper concentrate.

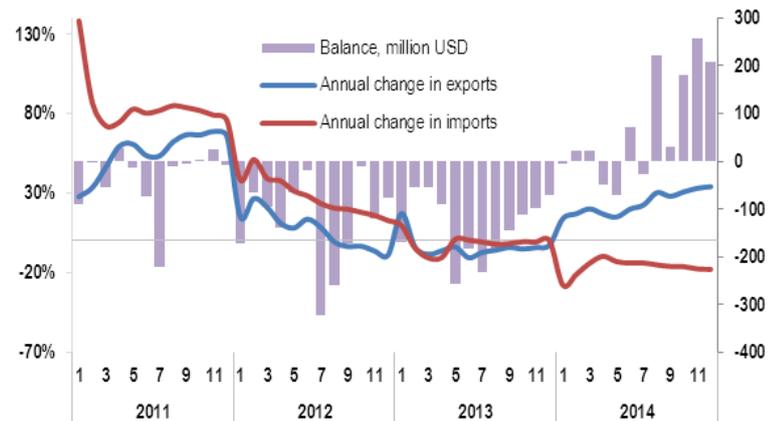
Table 1. The foreign trade performance /million USD/

Type	First 12 months			Changes			
	2014	2013	2012	2014/2013		2013/2012	
				Дүн	Хувь	Дүн	Хувь
Turnover	11,011.2	10,626.9	11,123.0	384.3	3.6%	(496.2)	-4.5%
Ex port	5,774.6	4,269.1	4,384.7	1,505.5	35.3%	(115.6)	-2.6%
Import	5,236.6	6,357.8	6,738.4	(1,121.2)	-17.6%	(380.6)	-5.6%
Balance	537.9	(2,088.8)	(2,353.7)	2,626.7	-125.8%	264.9	-11.3%

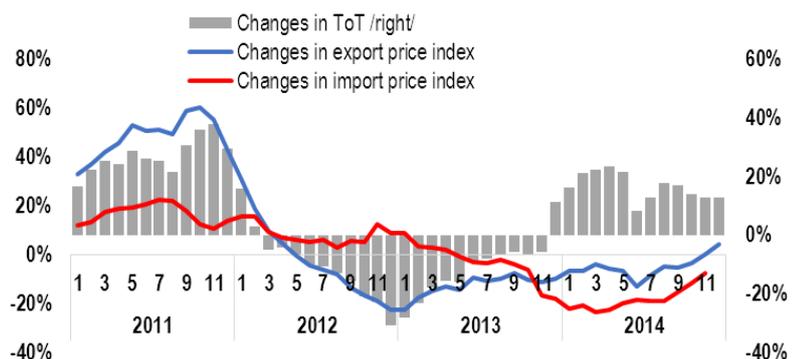
Picture1. The growth rate of exports and imports /3 month moving average/



Picture 2. The trade paid in hard currency



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



**Composition: 89% + 11%**

The share of mineral exports in total exports increased by 0.4 points from that of the previous year and reached 89%.

Exports of coal, copper concentrate, iron ore and concentrate and crude oil have a weight of nearly 78% of total exports and 88% of mining exports.

In addition, these 4 products' share in the mining exports increased by 2.1 points from that of the previous year, share in the total exports increased by 2.2 points.

**Growth: +35.3%**

Mongolian export increased by 35.3% from that of the previous year, which was mainly affected by increase in mineral exports. Exports of copper concentrate and crude oil increased by 171% and 23%, respectively, which accounted for 46% in growth of mining export. On the other hand, coking coal and iron ore export decreased by nearly 24%, 32% respectively, which accounted for 13% decrease in the growth of mining export.

**Changes**

As of Dec 2014, Mongolian export increased by 1,505.5 million USD from that of the previous year. It is affected by the increase of export commodities' quantities (USD 1,401.4 millions) and increase in export commodities' prices (USD 104.1 millions).

Because of the increase in crude oil and copper concentrate quantities, mining export increased by 1,225 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 583 million USD.

Cashmere, cashmere products and other exports increased by 40.8 and 112.4 million USD respectively.

**World market prices for primary commodities**

As of Dec 31 2014, gold price reached 1,184.4 USD, decreased by 1.4% from that of the previous year and by 1.5% from that of the last month.

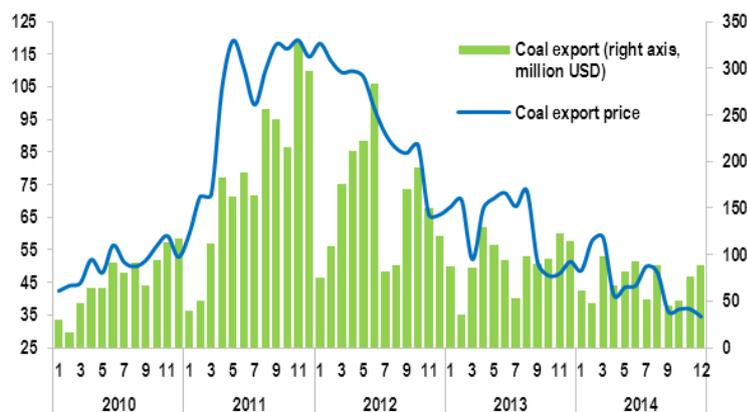
As of Dec 31 2014, copper and iron ore prices reached 6,368.0 and 69.0 USD, decreased by 0.7%, 1.4% from that of the previous month respectively.

**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
<b>1. Minerals</b>		<b>5,129</b>	<b>89%</b>		<b>3,777</b>	<b>88%</b>	<b>1,352</b>	<b>36%</b>	<b>32%</b>
Coal	9,481	849	5%	18,194	1,116	26%	(268)	-24%	-7%
Copper concentrate	1,378	2,574	45%	650	949	22%	1,625	171%	43%
Iron ore/c conc.	6,324	446	8%	6,724	654	15%	(208)	-32%	-6%
Crude oil	6,885	635	1%	5,244	515	12%	119	23%	3%
Zinc ore/concentrate	99	113	2%	131	18	3%	(6)	-5%	0%
Non monetary gold	10,041	405	7%	7,559	310	7%	95	31%	3%
Spar, leucine, nepheline	314	72	1%	338	83	2%	(12)	-14%	0%
Molybdenum ore/c conc.	4	36	1%	4	29	1%	6	21%	0%
<b>2. Cashmere</b>		<b>285.7</b>	<b>5%</b>		<b>244.9</b>	<b>6%</b>	<b>41</b>	<b>17%</b>	<b>1%</b>
Washed cashmere	4,035	224	4%	4,070	19	4%	35.0	19%	14%
Combed cashmere	637	62	1%	564	56	1%	5.9	10%	2%
<b>3. Other</b>		<b>360</b>	<b>6%</b>		<b>248</b>	<b>6%</b>	<b>112</b>	<b>45%</b>	<b>3%</b>
<b>Total amount</b>		<b>5,775</b>			<b>4,269</b>		<b>1,505.5</b>	<b>35.3%</b>	

*%2 - Contribution to the growth*

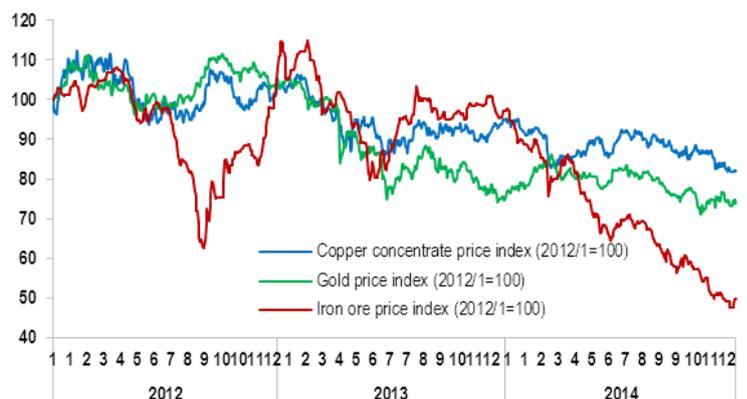
**Picture 4. Coal export, market price (USD)**



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

	Changes in quantity		Changes in price		Total changes	
		%		%		%
<b>1. Minerals</b>	1,332		20		1,352	
Coal	79	30%	(347)	-130%	(268)	-24%
Copper concentrate	1,064	65%	561	35%	1,625	171%
Iron ore/c conc.	(39)	-1%	(169)	-81%	(208)	-32%
Crude oil	161	135%	(42)	-35%	119	23%
Zinc ore/concentrate	(29)	-484%	23	384%	(6)	-5%
Non monetary gold	102	107%	(6)	-7%	95	31%
Spar, leucine, nepheline	(6)	-51%	(6)	-49%	(12)	-14%
Molybdenum ore/c conc.	0	6%	6	94%	6	21%
<b>2. Cashmere</b>	5.6		35.3		41	
Washed cashmere	(16)	-5%	36.6	105%	35.0	19%
Combed cashmere	7.2	122%	(13)	-22%	5.9	10%
<b>3. Other</b>	63	56%	49	44%	112	45%
<b>Total</b>	<b>1,401.4</b>		<b>104.1</b>		<b>1,505.5</b>	

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



## Composition: 26% + 40% + 22%

As of Dec 2014, 26% of total imports were consumer goods, 40% were capital goods and 22% were fuels.

Share of the capital goods in total imports decreased by 4% from that of the previous year while the share of fuels stood at the same level.

## Growth: -17.6%

Mongolian imports decreased by 17.6% 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 4% of the total decrease.

Capital goods and fuels imports decreased by 26% (726 millions USD) and 18% (255 millions USD) respectively. Thus total import decreased from that of the previous year.

## Breakdown

**Consumer goods** import decreased by 10% (147 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% (726 millions USD) which was mainly contributed by 38% decrease in machinery, equipment and supplies (697 million USD). On the other hand, import of construction materials stood at the same level.

**Intermediate goods and industrial materials** import decreased by 1% (4 millions USD).

**Fuels** import decreased by 18% (255 millions USD). The border price of oil has been decreasing slightly since the end of 2013 (Figure 8). In parallel with global oil market price, it declined sharply in last 3 months, reaching the lowest level since 2010.

## Import of the consumer goods

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

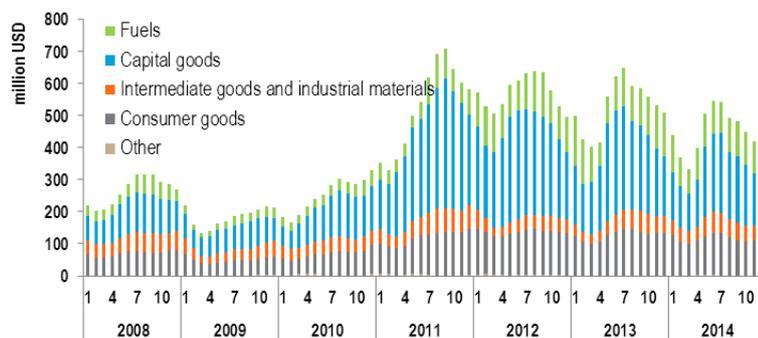
Even though the import growth of non-durable consumer goods was relatively stable, that of durable consumer goods was declining by the bigger phase.

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

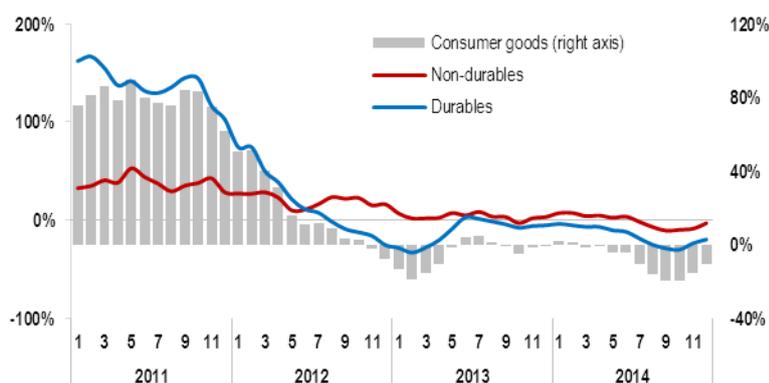
Types	2014		2013		Changes		
	Amount	%	Amount	%	Amount	%	%2*
<b>Consumer goods</b>	<b>1,379</b>	<b>26%</b>	<b>1526</b>	<b>24%</b>	<b>(147)</b>	<b>-10%</b>	<b>-2%</b>
Non-durables	764	15%	780	12%	(17)	-2%	-1%
Food	531	10%	559	9%	(27)	-5%	-2%
Medicinal and pharmaceutical products	82	2%	77	1%	5	6%	0%
Other non-durables	151	3%	145	2%	6	4%	0%
Durables	615	12%	745	12%	(130)	-17%	-9%
Clothing	58	1%	55	1%	3	5%	0%
Household electrical appliances and furniture	137	3%	156	2%	(19)	-12%	-1%
Passenger cars and parts	348	7%	462	7%	(114)	-25%	-7%
Other durables	73	1%	72	1%	1	1%	0%
<b>Capital goods</b>	<b>2098</b>	<b>40%</b>	<b>2824</b>	<b>44%</b>	<b>(726)</b>	<b>-26%</b>	<b>-11%</b>
Machinery, equipment, supplies and vehicles	1114	21%	1810	28%	(697)	-38%	-25%
Vehicles other than passenger cars, parts	281	5%	559	9%	(278)	-50%	-10%
Machinery, equipment and supplies	832	16%	1251	20%	(419)	-33%	-15%
Construction materials	756	14%	748	12%	8	1%	0%
Other capital goods	228	4%	266	4%	(38)	-14%	-1%
<b>Intermediate goods and industrial materials</b>	<b>592</b>	<b>11%</b>	<b>595</b>	<b>9%</b>	<b>(4)</b>	<b>-1%</b>	<b>0%</b>
Food ingredients (w heat, malt etc)	32	1%	19	0%	13	67%	2%
Chemical products	93	2%	97	2%	(4)	-4%	-1%
Yarn, fabrics, textiles, leather	17	0%	25	0%	(8)	-33%	-1%
Electricity	130	2%	113	2%	17	15%	3%
Metal ores and scrap	0	0%	1	0%	(1)	-51%	0%
Other industrial materials	320	6%	341	5%	(21)	-6%	-4%
<b>Fuels</b>	<b>1,155</b>	<b>22%</b>	<b>1,409</b>	<b>22%</b>	<b>(255)</b>	<b>-18%</b>	<b>-4%</b>
Diesels	656	13%	881	14%	(224)	-25%	-16%
Gasolines A92-95	320	6%	325	5%	(5)	-2%	0%
Gasolines A80 and other fuels	178	3%	203	3%	(25)	-12%	-2%
<b>Other</b>	<b>14</b>	<b>0%</b>	<b>3</b>	<b>0%</b>	<b>10</b>	<b>315%</b>	<b>0%</b>
<b>TOTAL</b>	<b>5,237</b>		<b>6,358</b>		<b>(1,121)</b>	<b>-17.6%</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

