



MONGOLIA'S FOREIGN TRADE REVIEW

December 2013

Total trade turnover: \$10,627 millions

As of December 2013 the total cumulative trade turnover from the beginning of the year fell by 4% (USD 495.7 millions) from that of the previous year and reached USD 10,627.4 millions. The decrease in the trade turnover was due to the decrease in imports by USD 383.7 millions and in exports by USD 112.0 millions.

The annual growth rate declined by 3 percentage points from that of the previous year as a result of the decrease in the growth rate of imports by 6 percentage points and that of exports by 3 percentage points.

The structure of the trade flows with the neighboring trade partners is as following: (i) trade with PRC: 52% or USD 5,486 millions and (ii) trade with Russia: 15% or USD 1,623 millions. The trade volume between Mongolia and China decreased by 6% and the trade volume between Mongolia and Russia declined by 16%.

Trade balance: -\$2,082 million

As of December 2013, the cumulative trade balance decreased by 12% (USD 272 millions) from that of the previous year and reached USD -2,082 millions. Although during the reporting period the total exports decreased by 3% from that of the previous year the trade balance improved due to the decline in imports by 6% from that of the previous year.

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: -\$1,647 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 December 2013, the trade balance of paid trade flows increased by 8% from that of the previous year and reached USD -1,647 millions. During the reporting period, paid imports increased by 0.3%, and paid exports decreased by 2.6% that of previous year.

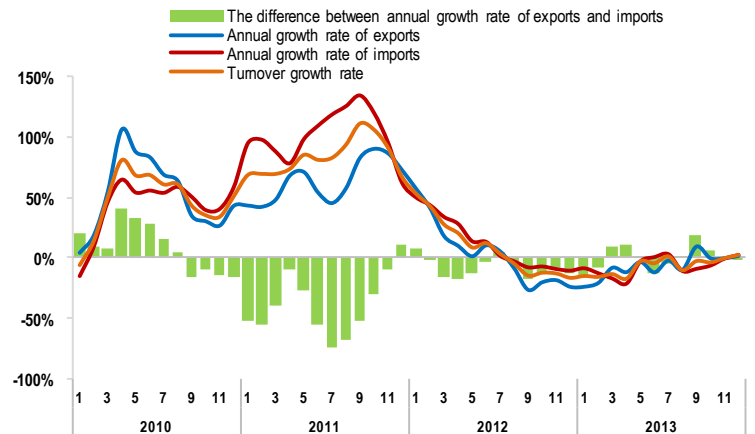
Terms of trade: 1.196

As of December 2013, terms of trade index (2000 base year) decreased by 15.7% from that of the previous year and reached 1.196. This decrease in the terms of trade is mainly attributed to the fall in export prices of exporting commodities.

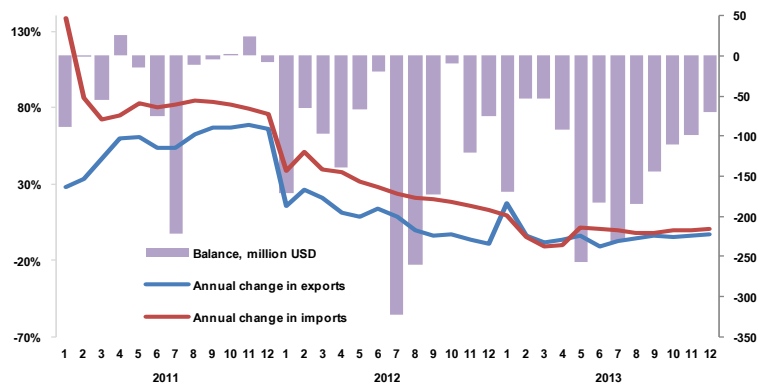
Table 1. The foreign trade performance /million USD/

| Type | First 12 months | | | Changes | | | |
|-----------------|------------------|------------------|------------------|----------------|-------------|----------------|------------|
| | 2013 | 2012 | 2011 | 2013/2012 | | 2012/2011 | |
| | | | | Amount | % | Amount | % |
| Turnover | 10,627.4 | 11,123.0 | 11,316.8 | (495.7) | -4% | (193.7) | -2% |
| Export | 4,272.7 | 4,384.7 | 4,817.5 | (112.0) | -3% | (432.8) | -9% |
| Import | 6,354.7 | 6,738.4 | 6,499.3 | (383.7) | -6% | 239.1 | 4% |
| Balance | (2,082.0) | (2,353.7) | (1,681.8) | 271.7 | -12% | (671.9) | 40% |

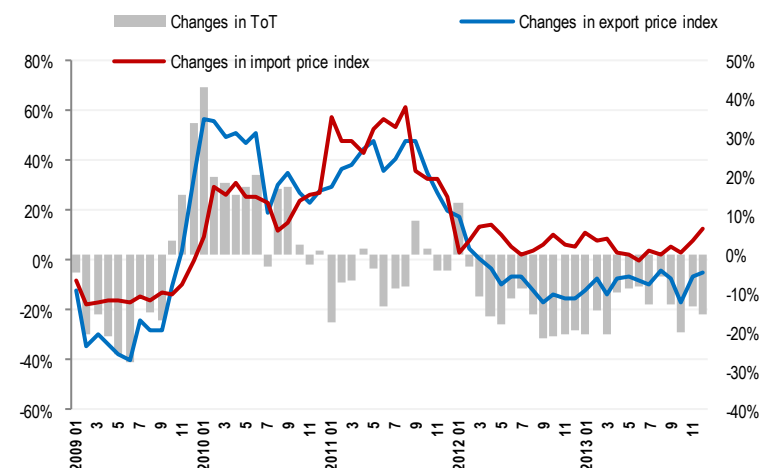
Picture1. The growth rate of exports and imports /3 month moving average/



Picture 2. The trade paid in hard currency



Picture 3. Changes in terms of trade



Composition: 88%+ 12%

The share of mineral exports in total exports was 88% of the total export and decreased by 2.4 points from that of the previous year.

Coal, copper concentrate, iron ore and concentrate and crude oil have a weight of nearly 76% of total export and 86% of mining export.

In addition, these 4 products share in the mining exports decreased by 4.5 points from that of the previous year, share in the total exports decreased by 6.1 points..

Growth: -2.6%

Mongolian export decreased by 2.6% from that of the previous year, which was mainly affected by 5% decrease in mineral exports. Exports of copper concentrate, iron ore, concentrate, crude oil and non monetary gold increased by 13%, 23%, 53% and 153%, respectively, which accounting for 15% in growth of mining export. On the other hand, coal export decreased by nearly 41% and because of this mining export has decreased by 19% from the first 12 months of 2012.

Changes

In first 12 months of 2013, Mongolian export decreased by 112 million USD from that of the previous year. The decrease in export commodities' prices (USD 422.3 millions) offsets increase of export commodities' quantities (USD 310.3 millions).

Because of the increase in crude oil, copper, iron ore, concentrate and non monetary gold quantities, total export would've increased by 502 millions USD. However, coal, monetary gold's prices, coal and spar's quantities decreased in reporting period, so total mining export decreased by 795 millions USD.

Cashmere and cashmere product exports' both prices and quantities increased by 28 and 23 million USD, respectively . For other exports, prices and quantities both increased, so total of other export increased by almost 42 millions USD.

World market prices for primary commodities

As of December 31 2013, gold price reached 1,201.6 USD, decreased by 28% from that of the previous year and decreased 4.1% from that of the last month.

As of December 31 2013, copper and zinc prices reached 7,375.7 and 2,053.0 USD, increased by 5%, 10% from that of the last year, respectively. Copper price decreased by 6.7%, zinc price increased by 0.2% from that of the previous month respectively.

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

| | 2013 | | | 2012 | | | Changes | | |
|--------------------------|------------------------------------|--------------|------------|------------------------------------|--------------|------------|----------------|--------------|------------|
| | Quan/unit (thou. tonnes, kg) | Amount | % | Quan/unit (thou. tonnes, kg) | Amount | % | Amount | % | % 2 |
| 1. Minerals | | 3,776 | 88% | | 3,982 | 91% | (205) | -5% | -5% |
| Coal | 18,188 | 1,116 | 26% | 20,547 | 1,880 | 43% | (764) | -41% | -19% |
| Copper concentrate | 650 | 949 | 22% | 574 | 839 | 19% | 110 | 13% | 3% |
| Iron ore /conc. | 6,724 | 654 | 15% | 6,416 | 533 | 12% | 122 | 23% | 3% |
| Crude oil | 5,244 | 515 | 12% | 3,568 | 336 | 8% | 179 | 53% | 5% |
| Zinc ore/concentrate | 131 | 119 | 3% | 141 | 131 | 3% | (12) | -9% | 0% |
| Non monetary gold | 7,559 | 310 | 7% | 2,797 | 122 | 3% | 188 | 153% | 5% |
| Spar, leucine, nepheline | 338 | 83 | 2% | 429 | 103 | 2% | (19) | -19% | 0% |
| Molybdenum ore/conc. | 4 | 29 | 1% | 4 | 38 | 1% | (9) | -23% | 0% |
| 2. Cashmere | | 244.9 | 6% | | 193.2 | 4% | 52 | 27% | 1% |
| Washed cashmere | 4,070 | 189 | 4% | 3,608 | 145 | 3% | 43.4 | 30% | 22% |
| Combed cashmere | 564 | 56 | 1% | 533 | 48 | 1% | 8.3 | 17% | 4% |
| 3. Other | | 251 | 6% | | 210 | 5% | 42 | 20% | 1% |
| Total amount | | 4,273 | | | 4,385 | | (112.0) | -2.6% | |

% 2 - Contribution to the growth

Picture 4. Coal export, market price (USD)

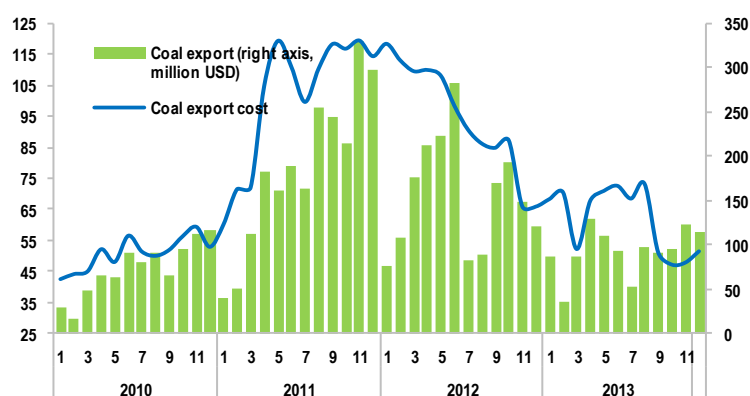
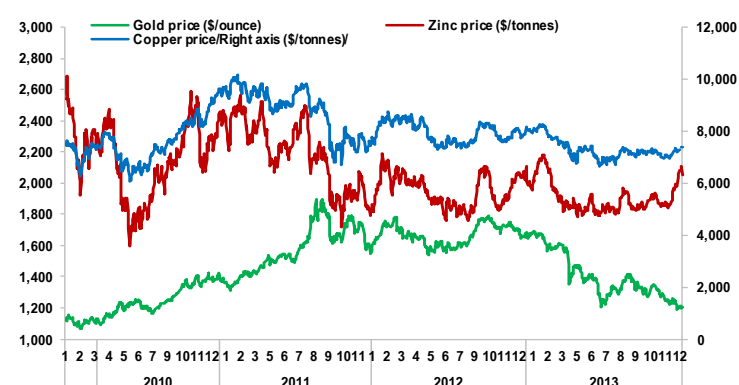


Table 3. Changes in export goods (million USD)

| | Changes in quantity | % | Changes in price | % | Total changes | % |
|--------------------------|---------------------|------|------------------|------|----------------|------|
| 1. Minerals | 264 | | (469) | | (205) | |
| Coal | (216) | 28% | (549) | 72% | (764) | -41% |
| Copper concentrate | 110 | 100% | 0 | 0% | 110 | 13% |
| Iron ore /conc. | 26 | 21% | 96 | 79% | 122 | 23% |
| Crude oil | 158 | 88% | 22 | 12% | 179 | 53% |
| Zinc ore/concentrate | (9) | 79% | (2) | 21% | (12) | -9% |
| Non monetary gold | 208 | 111% | (21) | -11% | 188 | 153% |
| Spar, leucine, nepheline | (10) | 52% | (9) | 48% | (19) | -19% |
| Molybdenum ore/conc. | (3) | 33% | (6) | 67% | (9) | -23% |
| 2. Cashmere | 23 | | 28 | | 52 | |
| Washed cashmere | 18.6 | 43% | 24.8 | 57% | 43.4 | 30% |
| Combed cashmere | 4.7 | 56% | 3.6 | 44% | 8.3 | 17% |
| 3. Other | 23 | 56% | 18 | 44% | 42 | 20% |
| Total | 310.3 | | (422.3) | | (112.0) | |

Picture 5. Market price of gold, zinc, copper



Composition: 24% + 22%

As of first 12 months of 2013, 46% of total imports were oil products and industrial inputs' imports, 14% were consumer goods and food imports, rest 40% were other products' import.

Share of oil products and industrial inputs' imports in total imports decreased by 2 points from the first 12 months of 2012. This decrease affected by industrial inputs' import, which decreased by 3.3 points.

Growth: -5.7%

Mongolian imports decreased by 5.7% from that of the previous year. Main contributors of this decrease were industrial inputs' decrease, which equal to 5% of the total decrease, and consumer goods import which equal to 1% of the total decrease.

Consumer goods products and industrial inputs' imports decreased by 8% (67 millions USD) and 17% (316 millions USD) respectively, thus total import decreased from that of the previous year.

Changes

Prices and quantities of import goods both decreased by 228 and 156 millions USD respectively, thus total imports decreased by 384 millions USD from that of the previous year.

Because of increase in quantities, oil import increased by 46.1 million USD, thus total oil import increased by 15.4 millions USD from that of the previous year. The oil price on the border decreased from begin of 2012 to august 2012. Since then, the oil price increased slightly, but in 2013, it is decreasing slowly. (Figure 6).

Industrial inputs' imports price and quantity both decreased by 28% and 72%, respectively, thus industrial inputs' import declined by almost 316 millions USD. At the same time, 69% of decrease in consumer products' import were quantity related causes, 31% were price related causes, thus consumer products' import decreased by 67.0 million USD.

Import of the primary consumer products*

As of first 12 months of 2013, growth of primary consumer products' import, which calculated by 3 month moving average method, decreased by 8% / Figure 7/.

Annual growth of electronics import had been decreased from mid of 2012 year, but since April 2013, it has been increased slightly. In the other hand, passenger cars import had been decreased since beginning of 2011, but since beginning of this year it has been decreased, slowly.

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

| Types | 2013 | | | 2012 | | | Changes | |
|----------------------------|---------------------------------|--------------|------------|---------------------------------|--------------|------------|--------------|-------------|
| | Quant (unit, thousand of units) | Amount | % | Quant (unit, thousand of units) | Amount | % | Amount | Percentage |
| Industrial inputs | | 1,502 | 24% | | 1,817 | 27% | (316) | -17% |
| Heavy mechanism, equipment | 3,299 | 897 | 60% | 12,542 | 1,113 | 61% | (216) | -19% |
| Cars other than passenger | 1,110 | 438 | 29% | 1,030 | 546 | 30% | (108) | -20% |
| Iron work, steel prod. | 48,426 | 70 | 5% | 35,056 | 55 | 3% | 16 | 29% |
| Other products | 123,312 | 96 | 6% | 581,791 | 104 | 6% | (8) | -8% |
| Oil | | 1,409 | 22% | | 1,394 | 21% | 15 | 1% |
| Diesel fuel | 756,149 | 860 | 61% | 716,483 | 820 | 59% | 40 | 5% |
| A-92, A-95 | 273,482 | 324 | 23% | 255,182 | 325 | 23% | (1) | 0% |
| A-80 and other | 180,451 | 225 | 16% | 192,149 | 249 | 18% | (24) | -10% |
| Consumer goods | | 730 | 11% | | 798 | 12% | (67) | -8% |
| Passenger car | 45 | 373 | 51% | 46 | 430 | 54% | (57) | -13% |
| Electronics | 1,032 | 152 | 21% | 1,067 | 155 | 19% | (3) | -2% |
| All types of medicine | 2,162 | 72 | 10% | 2,155 | 77 | 10% | (5) | -6% |
| Other consumer goods | 16,669 | 133 | 18% | 17,564 | 136 | 17% | (2) | -2% |
| Nutrient | | 188 | 3% | | 205 | 3% | (16) | -8% |
| Powder, rice, bread | 59,141 | 51 | 27% | 100,810 | 66 | 32% | (14) | -22% |
| Dairy produce | 4,099 | 17 | 9% | 4,801 | 18 | 9% | (1) | -8% |
| All types of fat | 27,624 | 35 | 19% | 25,168 | 33 | 16% | 2 | 7% |
| Alcohol | 35,803 | 32 | 17% | 32,034 | 33 | 16% | (1) | -3% |
| Vegetable | 61,344 | 13 | 7% | 76,370 | 14 | 7% | (1) | -4% |
| Other | 66,014 | 40 | 21% | 67,415 | 41 | 20% | (1) | -3% |
| Other imports | | 2,525 | 40% | | 2,525 | 37% | (0) | 0% |
| Other | | 2,525 | | | 2,525 | | (0) | 0% |
| Total amount | | 6,355 | | | 6,738 | | (384) | -6% |

% 2 - Contribution to the growth

Picture 6. Import of oil products, average border price

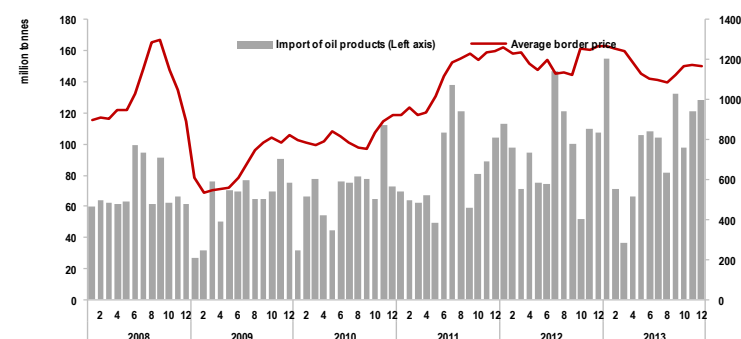
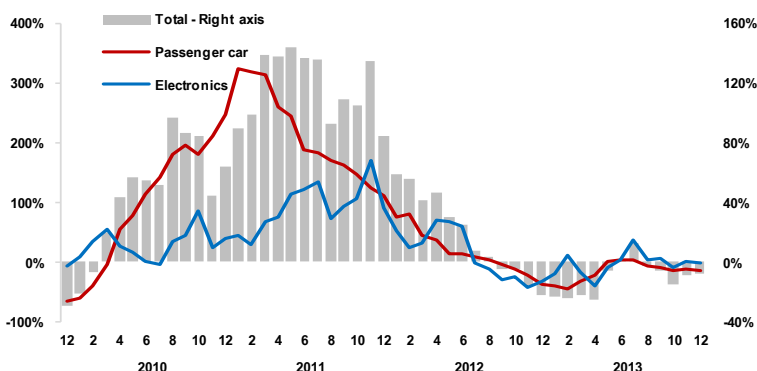


Table 5. Changes in import goods (million USD)

| Types | Changes in quantity | | Changes in price | | Total changes | |
|----------------------------|---------------------|---------------|------------------|--------------|----------------|------|
| | Quantity | % | Price | % | Total | % |
| Industrial inputs | (226.6) | 72% | (89.0) | 28% | (315.5) | |
| Heavy mechanism, equipment | (231.1) | 107% | 15.3 | -7% | (215.7) | -19% |
| Cars other than passenger | (3.2) | 3% | (104.4) | 97% | (107.7) | -20% |
| Iron work, steel prod. | 10.3 | 65% | 5.6 | 35% | 15.9 | 29% |
| Other products | (2.6) | 32% | (5.5) | 68% | (8.1) | -8% |
| Oil | 46.3 | 300% | (30.9) | -200% | 15.4 | |
| Diesel fuel | 45.4 | 113% | (5.1) | -13% | 40.3 | 5% |
| A-92, A-95 | 23.3 | -2559% | (24.2) | 2659% | (0.9) | 0% |
| A-80 and other | (22.4) | 94% | (1.5) | 6% | (23.9) | -10% |
| Consumer goods | (46.1) | 69% | (20.9) | 31% | (67.0) | |
| Passenger car | (37.1) | 65% | (19.8) | 35% | (56.9) | -13% |
| Electronics | 1.0 | -33% | (3.9) | 133% | (2.9) | -2% |
| All types of medicine | (6.4) | 130% | 1.5 | -30% | (5.0) | -6% |
| Other consumer goods | (3.6) | 159% | 1.3 | -59% | (2.2) | -2% |
| Nutrient | 59.8 | -368% | (76.1) | 468% | (16.3) | |
| Powder, rice, bread | (12.7) | 89% | (1.6) | 11% | (14.3) | -22% |
| Dairy produce | (2.6) | 185% | 1.2 | -85% | (1.4) | -8% |
| All types of fat | 1.3 | 55% | 1.1 | 45% | 2.4 | 7% |
| Alcohol | 73.1 | -6895% | (74.2) | 6995% | (1.1) | -3% |
| Vegetable | 0.5 | -95% | (1.1) | 195% | (0.6) | -4% |
| Other | 0.2 | -12% | (1.5) | 112% | (1.3) | -3% |
| Other imports | 10.9 | -4307% | (11.2) | 4407% | (0.3) | |
| Other | 10.9 | -4307% | (11.2) | 4407% | (0.3) | 0% |
| Total amount | (155.6) | | (228.0) | | (383.7) | |

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.