



MONGOLIA'S FOREIGN TRADE REVIEW

Aug 2014

Total trade turnover: \$7,175.6 millions

As of Aug 2014 the total cumulative trade turnover increased by 3.1% (USD 215.5 millions) from that of the previous year and reached USD 7,175.6 millions. The increase in the trade turnover was due to the increase in exports by USD 873.1 millions.

The structure of the trade flows with the neighboring trade partners is as following: (i) trade with PRC: 61.2% or USD 4,390.2 millions and (ii) trade with Russia: 15.1% or USD 1,082.1 millions. The trade volume between Mongolia and China increased by 24.7% and the trade volume between Mongolia and Russia increased by 4.9%.

Trade balance: -\$23.0 million

As of Aug 2014, the cumulative trade balance decreased by 98.5% (USD 1,530.7 millions) from that of the previous year and reached USD -23.0 millions. During the reporting period the total exports increased by 32.3% from that of the previous year, imports decreased by 15.4% from that of the previous year, thus the trade balance improved by USD 1,530.7 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: \$183.5 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 Aug 2014, the trade balance of paid trade flows reached USD 183.5 millions. During the reporting period, paid imports decreased by 15.1%, and paid exports increased by 30.3% from that of previous year.

Terms of trade: 1.631 (test estimation)

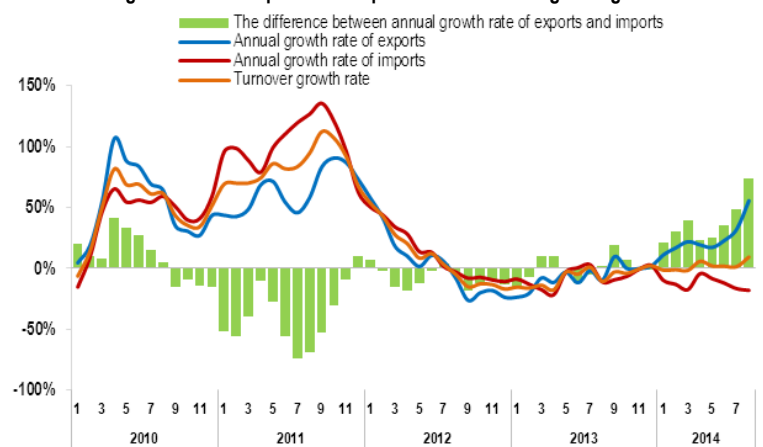
As of Aug 2014, terms of trade index (2012 base year) increased by 18.9% from that of the previous year and reached 1.631.

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

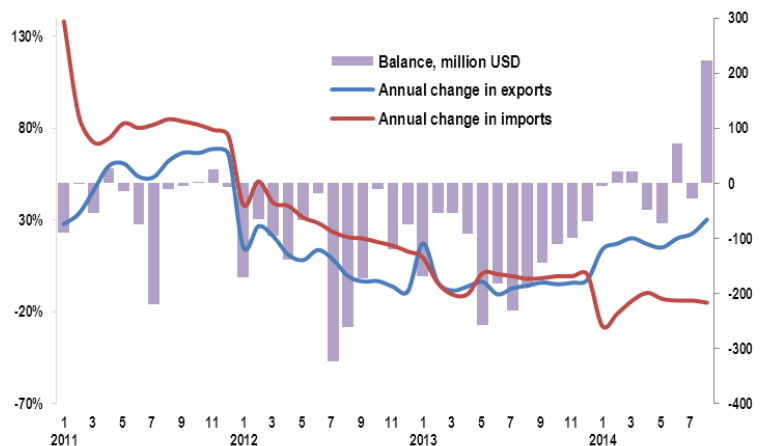
Table 1. The foreign trade performance /million USD/

| Type | First 8 months | | | Changes | | | |
|----------|----------------|-----------|-----------|-----------|--------|-----------|--------|
| | 2014 | 2013 | 2012 | 2014/2013 | | 2013/2012 | |
| | | | | ДҮН | Хувь | ДҮН | Хувь |
| Turnover | 7,175.6 | 6,960.1 | 7,531.1 | 215.5 | 3.1% | (571.0) | -7.6% |
| Export | 3,576.3 | 2,703.2 | 2,871.6 | 873.1 | 32.3% | (168.3) | -5.9% |
| Import | 3,599.3 | 4,256.9 | 4,659.5 | (657.6) | -15.4% | (402.7) | -8.6% |
| Balance | (23.0) | (1,553.6) | (1,788.0) | 1,530.7 | -98.5% | 234.3 | -13.1% |

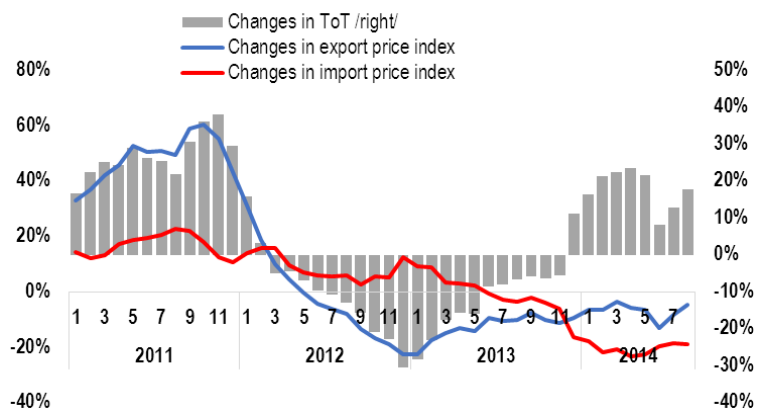
Picture 1. The growth rate of exports and imports /3 month moving average/



Picture 2. The trade paid in hard currency



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



Composition: 87% + 13%

The share of mineral exports in total exports increased by 0.5 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 77% of total exports and 89% of mining exports.

In addition, these 4 products' share in the mining exports increased by 3.7 points from that of the previous year, share in the total exports increased by 3.6 points.

Growth: +32.3%

Mongolian export increased by 32.3% from that of the previous year, which was mainly affected by 28.8% increase in mineral exports. Exports of copper concentrate and crude oil increased by 158% and 49%, respectively, which accounted for 44% in growth of mining export. On the other hand, coking coal, iron ore and zinc ore export decreased by nearly 15%, 35%, 5% respectively, which accounted for 11% decrease in the growth of mining export.

Changes

As of Aug 2014, Mongolian export increased by 873.1 million USD from that of the previous year. It is affected by the increase of export commodities' quantities (USD 932.7 millions) and decrease in export commodities' prices (USD 59.6 millions).

Because of the increase in crude oil and copper concentrate quantities, mining export increased by 774 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 464 million USD.

Cashmere, cashmere products and other exports increased by 36.4 and 59.4 million USD respectively.

World market prices for primary commodities

As of Aug 31 2014, gold price reached 1,287.3 USD, increased by 7.7% from that of the previous year and increased by 0.4% from that of the last month.

As of Aug 31 2014, copper and iron ore prices reached 7,008.5 and 87.9 USD, decreased by 1.8%, 7.7% from that of the previous month respectively. Copper price decreased by 1.0%, iron ore price decreased by 36.2% 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 |
| 1. Minerals | 3,126 | 87% | | 2,348 | 87% | | 777 | 33% | 29% |
| Coal | 12,225 | 588 | 16% | 9,593 | 693 | 26% | (105) | -15% | -4% |
| Copper concentrate | 844 | 1,450 | 41% | 395 | 563 | 21% | 887 | 158% | 38% |
| Iron ore /conc. | 3,761 | 289 | 8% | 4,327 | 442 | 16% | (153) | -35% | -7% |
| Crude oil | 4,441 | 443 | 12% | 3,052 | 298 | 11% | 146 | 49% | 6% |
| Zinc ore/concentrate | 69 | 76 | 2% | 86 | 80 | 3% | (4) | -5% | 0% |
| Non monetary gold | 5,126 | 214 | 6% | 4,727 | 195 | 7% | 9 | 10% | 1% |
| Spar, leucine, nepheline | 207 | 47 | 1% | 221 | 56 | 2% | (10) | -17% | 0% |
| Molybdenum ore/conc. | 2 | 18 | 1% | 3 | 21 | 1% | (3) | -13% | 0% |
| 2. Cashmere | 247.0 | 7% | | 210.6 | 8% | | 36 | 17% | 1% |
| Washed cashmere | 3,834 | 213 | 6% | 3,915 | 181 | 7% | 32.2 | 18% | 15% |
| Combed cashmere | 347 | 34 | 1% | 309 | 30 | 1% | 4.2 | 14% | 2% |
| 3. Other | 204 | 6% | | 144 | 5% | | 59 | 41% | 2% |
| Total amount | 3,576 | | | 2,703 | | | 873.1 | 32.3% | |

%2 - Contribution to the growth

Picture 4. Coal export, market price (USD)

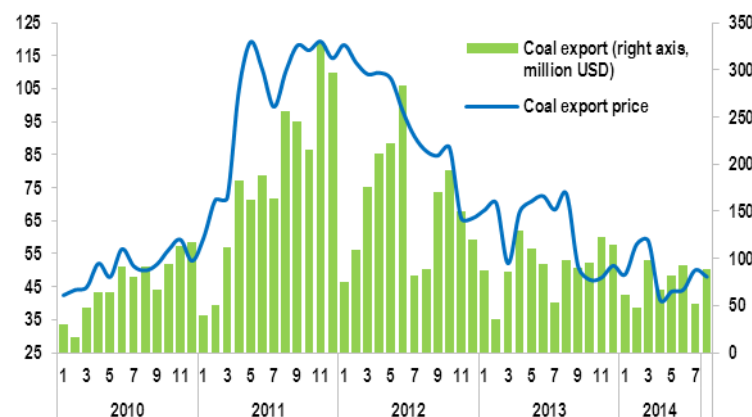
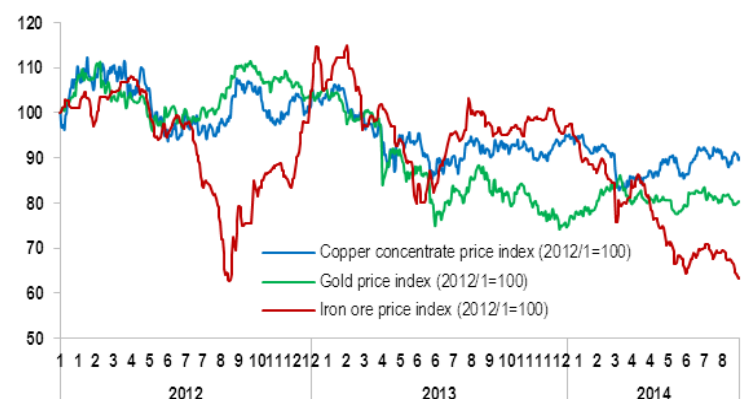


Table 3. Changes in export goods (million USD)

| | Changes in quantity | % | Changes in price | % | Total changes | % |
|--------------------------|---------------------|------------|------------------|------------|---------------|------------|
| 1. Minerals | 899 | | (122) | | 777 | |
| Coal | 190 | -18% | (295) | 28% | (105) | -15% |
| Copper concentrate | 639 | 72% | 249 | 28% | 887 | 158% |
| Iron ore /conc. | (58) | 38% | (95) | 62% | (153) | -35% |
| Crude oil | 135 | 93% | 10 | 7% | 146 | 49% |
| Zinc ore/concentrate | (1) | 396% | 12 | -296% | (4) | -5% |
| Non monetary gold | 16 | 87% | 2 | 13% | 19 | 10% |
| Spar, leucine, nepheline | (4) | 37% | (6) | 63% | (10) | -17% |
| Molybdenum ore/conc. | (4) | 143% | 1 | -43% | (3) | -13% |
| 2. Cashmere | (0.1) | | 36.5 | | 36 | |
| Washed cashmere | (3.7) | -12% | 35.9 | 112% | 32.2 | 18% |
| Combed cashmere | 3.6 | 85% | 0.6 | 5% | 4.2 | 14% |
| 3. Other | 34 | 56% | 26 | 44% | 59 | 41% |
| Total | 932.7 | | (59.6) | | 873.1 | |

Picture 5. Market price of gold, zinc, copper



Composition: 26% + 42% + 21%

As of Aug 2014, 26% 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 6% from that of the previous year. And the share of fuels stood at the same level.

Growth: -15.4%

Mongolian imports decreased by 15.4% 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 import which equals to 2% of the total decrease.

Capital goods and fuels imports decreased by 26% (519 millions USD) and 12% (102 millions USD) respectively. Thus total import decreased from that of the previous year.

Breakdown

Consumer goods import decreased by 9% (86 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% (519 millions USD) which was mainly contributed by 41% decrease in machinery, equipment and supplies (556 million USD). On the other hand, import of construction materials increased by 10% (50 million USD).

Intermediate goods and industrial materials import increased by 11% (41 millions USD). The main contribution was 85% increase in electricity (48 millions USD).

Fuels import decreased by 12% (102 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/.

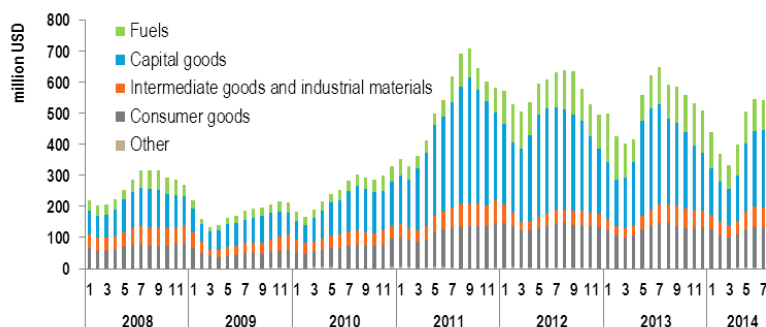
Even though the import growth of non-durable consumer goods was relatively stable, that of durable consumer goods was declining by the bigger phase.

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

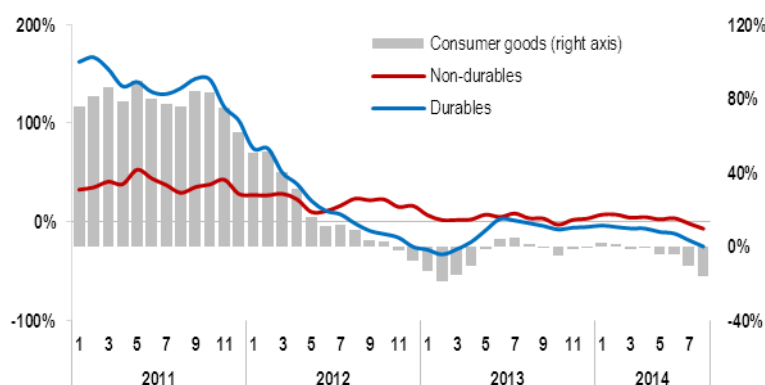
| Types | 2014 | | 2013 | | Changes | | |
|--|--------------|------------|--------------|------------|--------------|-------------|-------------|
| | Amount | % | Amount | % | Amount | % | %2* |
| Consumer goods | 918 | 26% | 1004 | 24% | (86) | -9% | -2% |
| Non-durables | 486 | 14% | 490 | 12% | (4) | -1% | 0% |
| Food | 337 | 9% | 348 | 8% | (12) | -3% | -1% |
| Medicinal and pharmaceutical products | 51 | 1% | 50 | 1% | 1 | 2% | 0% |
| Other non-durables | 99 | 3% | 92 | 2% | 7 | 7% | 1% |
| Durables | 432 | 12% | 514 | 12% | (82) | -16% | -8% |
| Clothing | 38 | 1% | 33 | 1% | 5 | 14% | 0% |
| Household electrical appliances and furniture | 86 | 2% | 95 | 2% | (9) | -9% | -1% |
| Passenger cars and parts | 259 | 7% | 341 | 8% | (81) | -24% | -8% |
| Other durables | 49 | 1% | 46 | 1% | 4 | 9% | 0% |
| Capital goods | 1503 | 42% | 2022 | 48% | (519) | -26% | -12% |
| Machinery, equipment, supplies and vehicles | 791 | 22% | 1347 | 32% | (556) | -41% | -27% |
| Vehicles other than passenger cars, parts | 203 | 6% | 485 | 11% | (282) | -58% | -14% |
| Machinery, equipment and supplies | 588 | 16% | 862 | 20% | (274) | -32% | -14% |
| Construction materials | 557 | 15% | 508 | 12% | 50 | 10% | 2% |
| Other capital goods | 155 | 4% | 168 | 4% | (13) | -8% | -1% |
| Intermediate goods and industrial materials | 415 | 12% | 374 | 9% | 41 | 11% | 1% |
| Food ingredients (w heat, malt etc) | 25 | 1% | 13 | 0% | 11 | 84% | 3% |
| Chemical products | 63 | 2% | 66 | 2% | (3) | -4% | -1% |
| Yarn, fabrics, textiles, leather | 10 | 0% | 14 | 0% | (4) | -30% | -1% |
| Electricity | 104 | 3% | 56 | 1% | 48 | 85% | 13% |
| Metal ores and scrap | 0 | 0% | 0 | 0% | 0 | 69% | 0% |
| Other industrial materials | 213 | 6% | 224 | 5% | (11) | -5% | -3% |
| Fuels | 752 | 21% | 853 | 20% | (102) | -12% | -2% |
| Diesels | 421 | 12% | 506 | 12% | (85) | -17% | -10% |
| Gasolines A92-95 | 214 | 6% | 197 | 5% | 17 | 9% | 2% |
| Gasolines A80 and other fuels | 117 | 3% | 151 | 4% | (33) | -22% | -4% |
| Other | 11 | 0% | 3 | 0% | 8 | 325% | 0% |
| TOTAL | 3,599 | | 4,257 | | (658) | -15% | |

*%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

