

Mongolia Growth Group August 2014 Economic Update

August News Highlights

XI JINPING VISITS MONGOLIA TO UPGRADE BILATERAL TIES AND SIGN CRUCIAL AGREEMENTS

Chinese President Xi Jinping arrived in Mongolia for a two day visit August 21-22. It is the first visit in 11 years by a Chinese head of state to Mongolia, and also the second time for Xi to make a one-country foreign trip since he took office. Heads of state of the two countries outlined in Xi's visit the future direction of practice cooperation in mineral resource exploration, infrastructure construction and finance, and prioritized collaboration in road and railway connectivity and major projects, so as to elevate bilateral trade volume to 10 billion U.S. dollars by 2020. *(Source: Xinhua)*

MONGOLIA AND CHINA CENTRAL BANKS RE-NEW CURRENCY SWAP AGREEMENT

On August 21 2014, Zoljargal Naidansuren, Governor of the Bank of Mongolia (BoM) and Zhou Xiaochuan, Governor of the People's Bank of China (PBoC) signed a new currency swap agreement for a term of another three years, with its size expanded from RMB10 billion to RMB15 billion. The new agreement will be effective for three years, and can be extended by mutual consent and superseded the RMB10 billion currency swap agreement signed on 06 May 2011 and extended on 14 May 2014. The expansion of the currency swap agreement between the BoM and the PBoC are crucial in helping to provide liquidity, when necessary, to maintain the stability of the financial market. The new agreement will facilitate the further development of trade and investment between two countries. *(Source: Bank of Mongolia)*

TENDER TO RESUME TO SELECT TAVAN TOLGOI INVESTOR

The cabinet meeting on Thursday issued a resolution on taking some measures for the Tavan Tolgoi deposit, considering as necessity to resume a bid for selecting an investor for the deposit. In accordance with the resolution, a working group will be set up by Ch.Saikhabileg, a head of the Cabinet Secretariat for Government, with responsibilities such as running and concluding the tender by November 1 of 2014 and establishing a contract with a selected legal subject in December 15 of 2014. *(Source: Montsame)*

NEW CONCRETE FACTORY WILL MEET 30% OF DOMESTIC DEMAND

On August 20th the Prime Minister N.Altankhuyag addressed an opening ceremony of a new factory of concrete. Producing two types of concretes--aerocrete and light concrete--the factory has been erected by the "Dorniin Tsas" LLC within the government's reforms "Let's produce in Mongolia". The factory is not harmful to environment, is smoke-free, does not create waste, is equipped with the latest technologies, re-uses water, and employs 60 people, said executive director of the company. *(Source: Montsame)*

THE DEPARTMENT OF TAX LAUNCHES E-PAYMENT SYSTEM

With support from the USAID-funded Business Plus Initiative Project (BPI), the General Department of Taxation (GDT) launched its new E-Payment System on August 8th. The GDT upgraded and launched its new e-tax filing system in early 2014, which now reaches more than 70 percent of taxpayers. In order to facilitate payment of taxes, USAID supported the GDT in developing an E-payment System. The new E-payment options will make paying taxes easier, cheaper, safer and faster by connecting GDT and banks electronically with just a few clicks, eliminating physical visits to banks and the tax office. The introduction of electronic filing and e-payment is expected to significantly reduce the number of payments and the time to comply with tax obligations as measured by the World Bank Doing Business Report. *(Source: Montsame)*

CONSTRUCTION OF NATIONAL LIBRARY NEW BUILDING BEGINS

A ceremony took place Thursday to lay the foundation stone of a new national library. Pursuant to a decree of the President, a land of 0.3 hectares given to the new building of National Library in 2008 in the Sukhbaatar District, and the construction works started six years after. The new 11 story building of the National Library will have the latest science and technological achievements in terms of service, database and will offer comfortable conditions for the readers. In the 1-3rd stories, it will have multi-selection reading rooms, and cabinets for the disabled. The construction of new National Library is expected to be completed by 2016. *(Source: Montsame)*

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CONSUMER PRICE INDICIES: 2014/Aug

CPI March	Month	YTD	YOY
Ulaanbaatar	0.7	7.4	13.6
Mongolia	0.4	7.7	13.7







MONETARY INDICATORS: 2014/Aug

	bln ₮	YOY %
Reserve money	2814.8	8.2
M2 Money	10135.9	20.5

INTEREST RATES 2014/Aug

Policy rate	12.0%
Overnight repo	14.0%
Overnight deposit	10.0%
Repo	12.5%

OFFICIAL EXCHANGE RATES*: 08/31/2014

	1 USD	1811.0₮
	1 EUR	2385.0₮
	1 CNY	294.7₮
	1 GBP	3006.2₮
	1 RUB	49.1₮
	1 CAD	1669.0₮

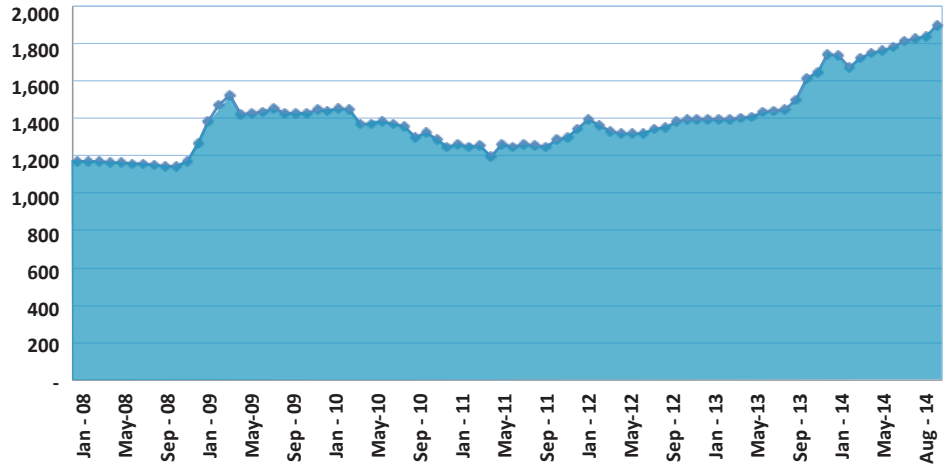
*Mongol Bank

EXTERNAL SECTOR

mIn USD	Aug 2014	Aug 2013	Change %
Exports	635.8	349.6	81.9%
Imports	451.2	571.9	(21.1%)
Net exports	184.6	(222.3)	--

Source: National Statistics Office

MONGOLIAN TUGRIK VS US DOLLAR



	Aug 31	July 31	MONTHLY CHANGE
MSE TOP 20 INDEX	15,730.54	15,871.73	(0.89%)
Market Cap (USD)	897,600,000	857,000,000	4.70%

MONGOLIAN STOCK EXCHANGE CHART

