

Mongolia Growth Group May 2014 Economic Update

May News Highlights

MONGOLIA 1Q GDP GROWS 7.4 % Y-O-Y, STATISTICAL OFFICE SAYS

Mongolia's gross domestic product grew 7.4% y/y in first quarter, after expanding 7.1% in the same period last year, the National Statistical Office says in statement distributed today. Mongolia's economy grew 11.7% last year, according to data reported earlier by the agency, and had 12.4% annual growth in 2012. Data is preliminary. *(Source: Bloomberg)*

MONGOLIAN PARLIAMENT APPROVES PM'S "100 DAYS OF ECONOMIC ACCELERATION" PACKAGE

Mongolia's parliament yesterday passed the government's economic stimulus package, according to the Parliament website. Package passed with approval of 76.2 percent of MPs in session and clause included in final draft instructs the government of Mongolia to "accelerate the development of the Oyu Tolgoi underground mine and provide government policy support for the implementation of the project". Prime Minister Altankhuyag Norov promotes bill as the "100 Days of Economic Acceleration". *(Source: Bloomberg)*

MOODY'S AFFIRMS MONGOLIA'S B1 SOVEREIGN RATING, CHANGES OUTLOOK TO NEGATIVE

Moody's Investors Service has changed the outlook on Mongolia's government bond rating to negative from stable. Concurrently, Moody's has affirmed the government's issuer and bond B1 ratings, the government's senior unsecured MTN rating at (P)B1 and the issuer's short-term Not Prime issuer rating. Moody's decision to change Mongolia's outlook to negative is driven by a rise in the external debt burden over recent years, a sharp fall in foreign exchange reserves, and escalating credit growth since 2013. *(Source: Moody's Investors Service)*

MONGOLIAN COPPER MINE TERMS TO BE RESOLVED BY SEPTEMBER

The impasse between Rio Tinto and the Mongolian government over a giant copper mine in the country should be resolved by September, with underground mining beginning within two years, a government official told Reuters. "We are under arrangements and negotiations with Rio Tinto now to complete the process by September this year," Vice minister for economic development, Chuluunbat Ochirbat said on the sidelines of a conference in London. "Underground mining will be put into operation in a year and a half or two years' time," he added. *(Source: Reuters)*

\$193 OUT OF \$500 MILLION LOAN FROM CHINA TO BE SPENT FOR "TUUL RIVER HIGHWAY" AND "YARMAG BRIDGE"

In June 2011, the Governments of Mongolia and the People's Republic of China signed a strategic partnership agreement in Beijing, in the meantime, the Government of China agreed to provide a 500 million USD loan to Mongolia. According to Cabinet decision from May 10, 2014, 193 million USD from total 500 million USD loan will be spent to finance the construction of "Highway along the Tuul River" and "Yarmag Bridge" as part of the "Street" projects. Minister of Economic Development N.Batbayar is obliged to establish and manage the project agreements with China side. *(Source: Montsame)*

AFTER 12 YEARS ALTANBULAG FREE TRADE ZONE TO HOLD OPENING CEREMONY IN JUNE

Mongolian officials met on May 20 to discuss the new Altanbulag Free Trade Zone (AFTZ) on Mongolia's northern border with Russia. After investing MNT 23 billion for the past 12 years, the opening ceremony will finally be held next month on June 22. This project aims to better improve relations between both Russia and China by allowing the circulation of products between China and Russia through Mongolia. Russia and China previously created a strategic partnership in 2015 that will amount to approximately 100 billion USD in trade. 20% of the profits already pass through the Free Trade Zone of Manjuur, and officials hope to see another 10% run through Altanbulag in the near future. This project is expected to earn Mongolia up to USD 100 million in profits. *(Source: Mongolian Economy)*

May 2014 - Economic Update

CONSUMER PRICE INDICIES: 2014/May

CPI March	Month	YTD	YOY
Ulaanbaatar	1.3	5.5	13.9
Mongolia	1.5	6.2	13.7







MONETARY INDICATORS: 2014/May

	bln ₮	YOY %
Reserve money	3007.8	7.4
M2 Money	10240.5	29.5

INTEREST RATES 2014/May

Policy rate	10.5%
Overnight repo	12.5%
Overnight deposit	8.5%
Repo	11.0%

OFFICIAL EXCHANGE RATES*: 05/31/2014

	1 USD	1818.7₮
	1 EUR	2475.4₮
	1 CNY	291.1₮
	1 GBP	3047.2₮
	1 RUB	52.4₮
	1 CAD	1679.1₮

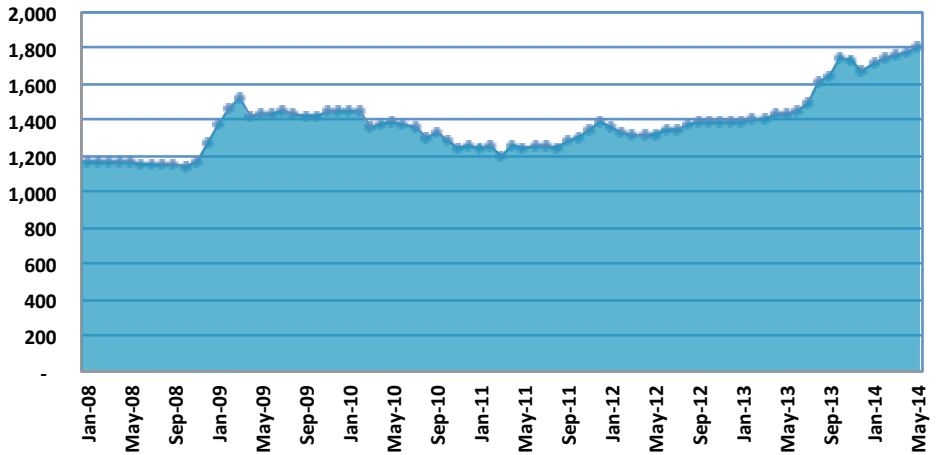
*Mongol Bank

EXTERNAL SECTOR

mIn USD	May 2014	May 2013	Change %
Exports	495.5	430.8	15.0%
Imports	605.7	727.2	(16.7%)
Net exports	(110.2)	(296.4)	62.8%

Source: National Statistics Office

MONGOLIAN TUGRIK VS US DOLLAR



	May 31	Apr 30	MONTHLY CHANGE
MSE TOP 20 INDEX	14,814.37	15,522.61	-4.56%
Market Cap (USD)	834,068,406	890,626,110	-6.35%

MONGOLIAN STOCK EXCHANGE CHART

MSE TOP 20 INDEX

