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The World Bank's *Mongolia Quarterly Economic Update* provides an update on recent economic and social developments and policies in Mongolia. It also presents findings of ongoing World Bank work in Mongolia. The *Mongolia Quarterly* is produced by a team from the World Bank's Poverty Reduction and Economic Management (PREM) Sector Unit in the East Asia and Pacific Region Vice-Presidency, with key inputs from other members of the Mongolia country team. Questions and feedback can be addressed to Altantsetseg Shiilegmaa (ashiilegmaa@worldbank.org). Copies can be downloaded from http://www.worldbank.org.mn.

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Introduction

The global downturn has hit Mongolia hard. This downturn has been most immediately felt through the collapse of mineral prices, in particular copper. Given Mongolia's reliance on copper revenues in the budget, tough times and tough decisions lie ahead. These tough decisions pertain to fixing the large budget and current account deficits.

However, the size of the adjustments needed is such that multilateral and bilateral help is urgently needed both for balance of payments support and budget support to finance the fiscal deficit. The balance of payments support is needed because Mongolia's international reserves are dropping fast, as a result of the decrease in the value of exports and the relative inflexibility of its exchange rate. Budget support is needed, because the capacity of the domestic banking sector to finance the government is very limited and commercial external financing will be expensive. Even if very strong budget measures are taken, the magnitude of the crisis is such that adjustments will need to take place over several years.

The need for immediate action is urgent. Many of the measures to be taken entail correcting past mistakes in the short term and putting in place a better framework going forward. For instance, re-introducing the targeting of social transfers will not only save money, but will create a far more efficient poverty reduction program. And the necessity of agreeing to a set of binding rules to the budget approval process, which will help Mongolia manage the boom and bust cycle of its mining revenues, may be felt more clearly now, during the bust, than previously, during the boom. Similarly, addressing the current problems of the banking sector in a decisive and transparent way can pave the way for a much stronger banking sector in the years to come.

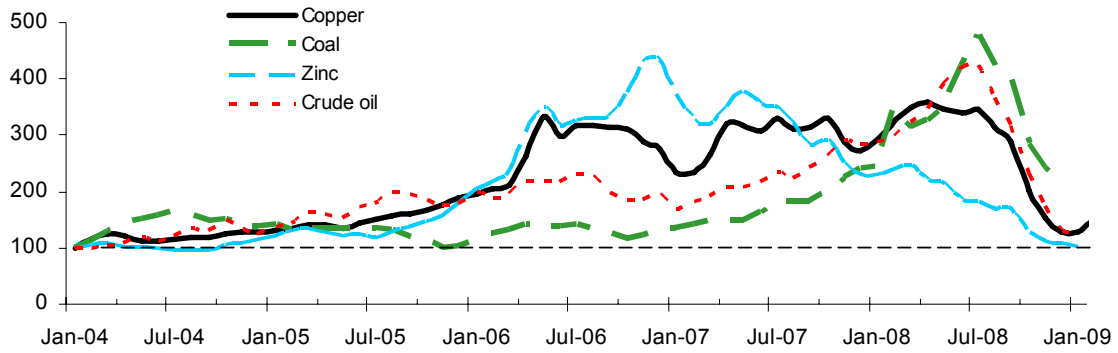
The collapse of mining revenues has hit the budget hard

Starting mid-2008, copper and other mineral prices relevant for Mongolia have collapsed. In particular the copper price has fallen to $3125/tonne at the end of January 2009 from its peak of $8685/tonne in April 2008, a 64% drop (see Figure 1). This compels the government now to drastically cut spending to a budget which is heavily dependent on mining revenues[1] (up to 39% in 2007). The budget outturn for 2008 showed a 5% of GDP overall fiscal deficit. The budget for 2009, as approved by Parliament, projects a 6% deficit. However, since then, revenue shortfalls have worsened even further. The fiscal deficit is currently projected to be 12% without corrective action, and 8% of GDP, after substantial measures are taken. And even then, the downside risks are significant (for example, related to the banking sector or delayed dividend and tax payments by major mining companies).

[1] Mining revenues include all dividends and corporate income tax from mining companies, the Windfall Profits Tax and royalties.

Figure 1. Global prices of Mongolia's main exports have fallen back to their 2004 levels

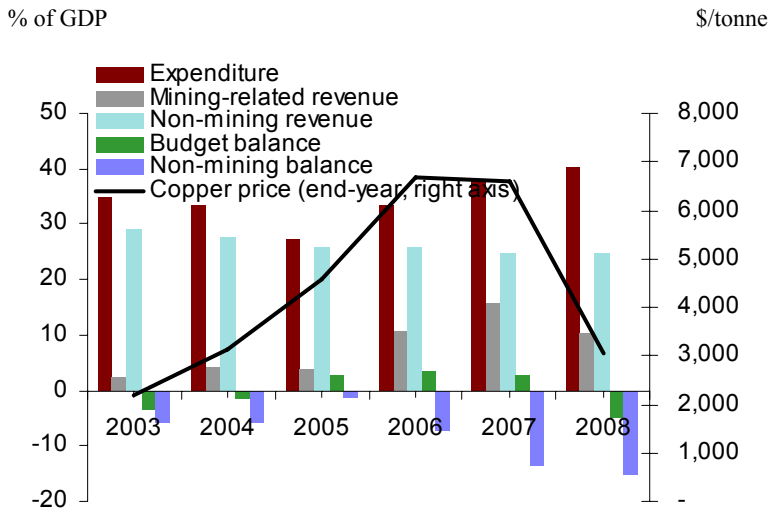
Index=100 in January 2004



Last observation: January 29, 2009.
Source: World Bank

Why is this fiscal shock so dramatic? First, it is because during the "boom" years, the budget has become more and more dependent on the mining revenues (see Figure 2)[2]. Second, even though the government ran some budget surpluses during the boom years, these turned out to be not sufficient to compensate for the current shock. And third, the non-mining fiscal balance deteriorated strongly during the commodity boom. Looking back, these were mistakes for which corrective action needs to be taken now.

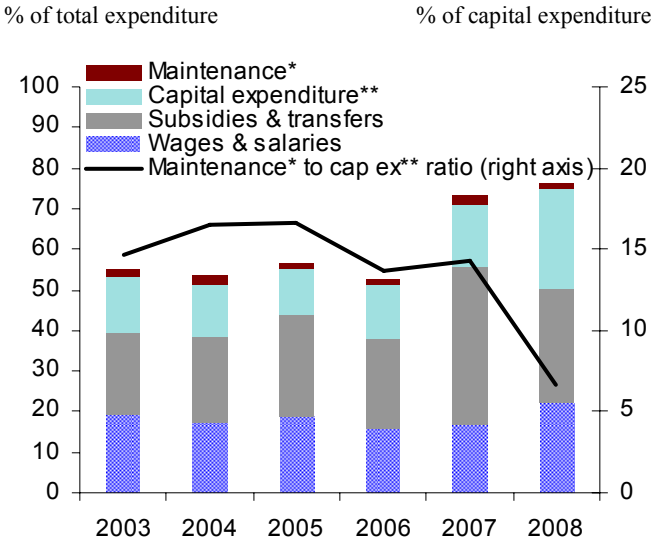
Figure 2. Although mining-related revenues had fallen, spending remained high, leading to increasing fiscal deficits



Source: Ministry of Finance, World Bank

[2] For instance, the 2007 tax reform package included reductions of 5 percentage points in both the VAT and corporate income tax rates to 10% and a unification of the personal income tax at a 10%.

Figure 3. The windfall was used for poorly targeted spending

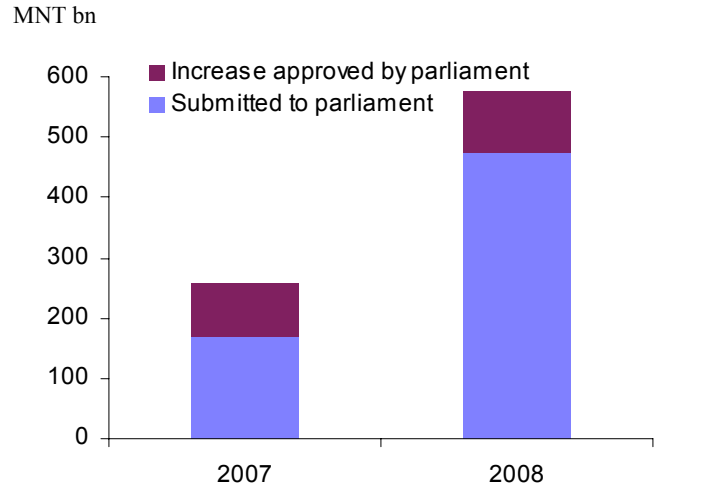


* Maintenance defined as Capital repairs and Current maintenance (in budget); probably underestimates actual capital repairs, as part is included in Domestic investment. ** Capital expenditure defined as Domestic investment, Other capital expenditures and Road fund financed by project loan and excludes Capital repairs.
Source: Ministry of Finance, World Bank

How was the money spent? How did Mongolia use the mining revenues during the boom years? Were they translated in more capital accumulation, both human and physical, which would lead to an increase in economic productivity over time? While capital expenditures have indeed increased, most of the spending was used to make previously targeted social transfers universal, and to increase wages and salaries. At the same time, it appears that not enough resources were set aside for the proper maintenance of existing infrastructure (Figure 3).

One important problem with the way the budget is managed in Mongolia is that the budget proposal made by the Minister of Finance to Parliament can be amended in many ways. Apart from overriding the overall fiscal targets and changing key assumptions (about mineral prices for instance), Parliament can also freely insert additional capital projects, even when these have not been subject to feasibility studies as required by the Public Sector Management of Finance Law (PSMFL). In this way, Parliament increased the public investment program budget by 52% in 2007 (1.9% of GDP) and by 21% in 2008 (1.6% of GDP), see Figure 4.

Figure 4. Parliament has a substantial influence over the public investment program



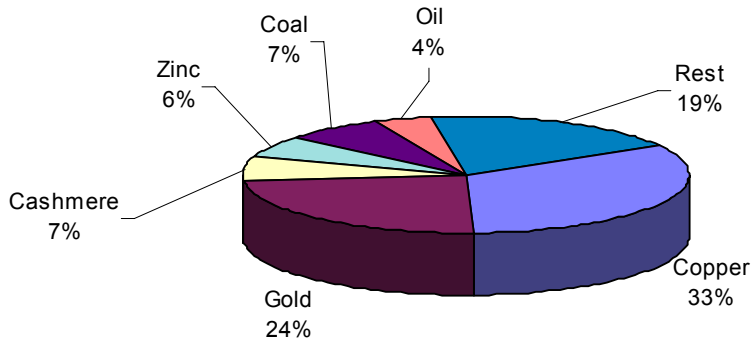
Note: this includes both the state budget and the National Development Fund
Source: Ministry of Finance

And economic growth will slow down

Mongolia's external economic outlook is set to worsen, continuing the trend which started in mid-2008. International prices of copper (down by 65% since July 2008) and other commodities such as coal, zinc, oil and cashmere have all plummeted. Mongolia is heavily dependent on exports of these commodities; the top six accounted for 81% of total export revenues in 2008 (Figure 5).

Figure 5. Mongolia's export revenues depends on a small number of commodities

% of total export revenues in 2008



Source: National Office of Statistics

Mongolia exports mainly to China and a small number of other regions (Figure 6a), which are all facing a significant slowdown, which will impact Mongolia negatively through a drop in export demand (Figure 6b).

Figure 6a. Demand for Mongolia's exports is concentrated…

% of total export revenues in 2008

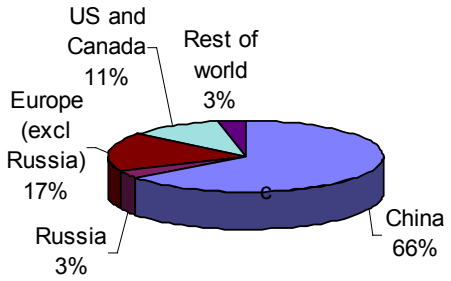
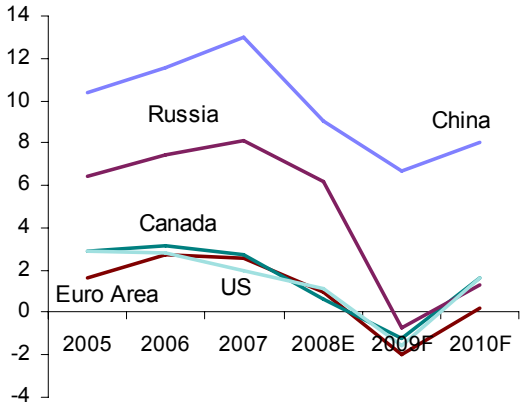


Figure 6b. … and is falling in Mongolia's main trading partners

% real growth

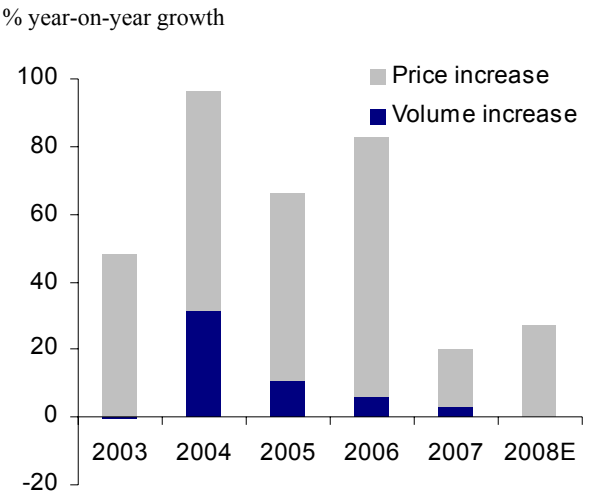


Source: National Statistical Office

Source: IMF WEO projections

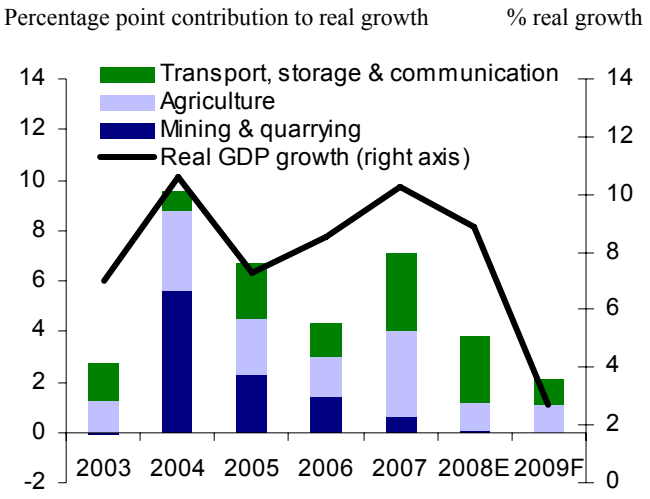
According to preliminary staff estimates, economic growth is expected to slow down considerably: from 8.9% in 2008 to 2.7% in real terms in 2009. The drivers of this growth are expected to be agriculture (5%) and transport, storage & communications (7%, but only if investment agreements concerning the Oyu Tolgoi and Tavan Tolgoi deposits materialize). These two sectors together contribute 2.2 percentage points out of the 2.7% growth. The mining sector will show stagnation in real terms, continuing its downward trend from 2004. Its contribution was nil in 2008 and projected to remain so in 2009 (see Figures 7a and 7b). Besides the absence of real growth in the mining, it is a very capital intensive sector and employment in this sector has remained steady around 15,000 (around 1.5% of the labor force), whereas around 37% of the population is employed in the agricultural sector.

Figure 7a. Mining's nominal expansion was mainly driven by prices…



Source: National Statistical Office, World Bank staff projections

Figure 7b. … and mining's direct contribution to real growth has been very limited



Source: National Statistical Office, World Bank staff projections

In 2009, as a result of the downward growth revision to 2.7% from 8%, it is projected that between 20,000 and 40,000 thousands fewer Mongolians (0.7% and 1.4% of the population respectively) will be lifted out of poverty, than would have been the case without the global financial crisis.[3] However, this is a conservative estimate, purely based on the historic correlation between per capita growth rates and poverty reduction. We suggest that the likely impact will be far higher due to the eroding effect of inflation on social transfers and private remittances on which many of the poor depend.

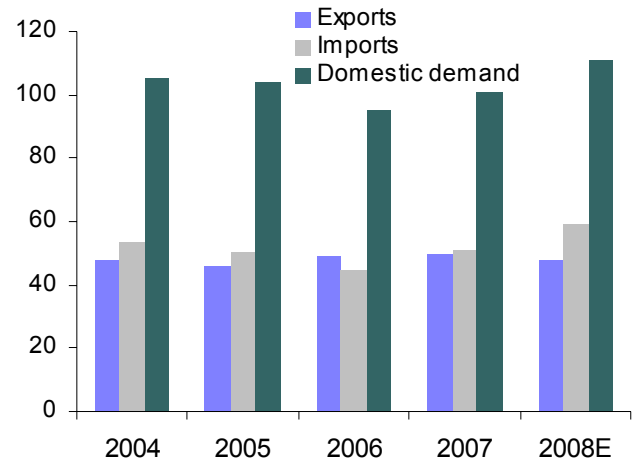
[3] Growth projections for 2009 were lowered from 8% to 2.7%. The former is the joint World Bank and IMF growth projection from the July 2008 Debt Sustainability Assessment. The latter is the most recent forecast based on data and insights gathered during the January-February 2009 mission to Mongolia. We use GDP per capita as a proxy for consumption. In 2005, the poverty headcount was 22%, using the new $1.25 per day global poverty line at 2005 PPP. The elasticity of poverty reduction with respect to consumption was estimated between -1.97 and -2.05 depending on the functional form of the distribution curve used. This is a cross-sectional estimate for the most recent poverty survey year (2002/03). We have used -2.00 in our calculation, but also did a sensitivity analysis using a value of -1.00. In a second method we used estimates of the elasticity of poverty reduction simply by taking the average yearly poverty reduction rate and average GDP per capita growth rate between the survey years.

The external deficit is worsening…

How did the above trends affect Mongolia's external balances? Seen from the expenditure side, exports as a share of GDP have been flat, while domestic demand, driven by large social transfers and consumption, outstripped GDP growth in the last three years (Figure 8).

Figure 8. Imports driven by domestic demand expansion have outstripped exports

% of GDP

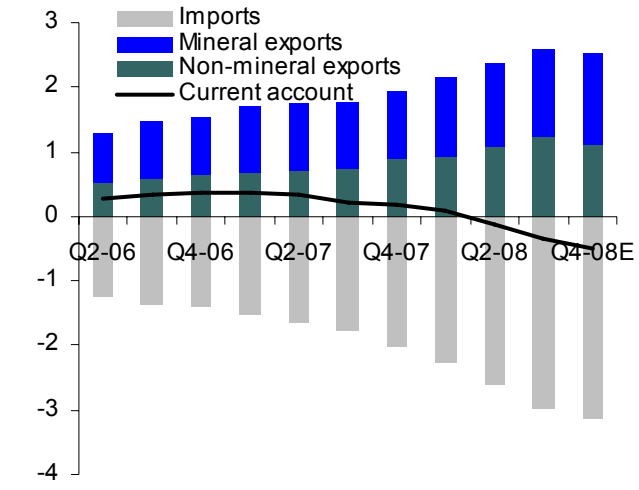


Source: National Statistical Office, World Bank

As the prices of the main exports (copper, cashmere and coal) fell sharply and FDI inflows and remittances declined, Mongolia's external balance has swung from positive to negative, driven by this boom in domestic demand. Since Q3 2007, imports grew faster than exports. Exports actually contracted in nominal terms in Q3 2008, but imports continued to grow until Q4 2008. The preliminary 2008 current account deficit is estimated at $503.5 mn or 9.6% of GDP (see Figure 9a).

Figure 9a. The current account has swung into a deficit due to shrinking exports and continued high import growth…

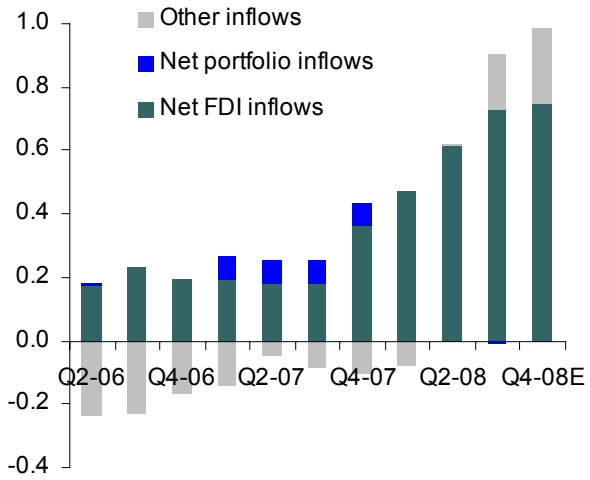
$ bn, 4-quarter rolling sum



Source: Bank of Mongolia, World Bank

Figure 9b. … the current account has been financed by FDI… so far

$ bn, 4-quarter rolling sum



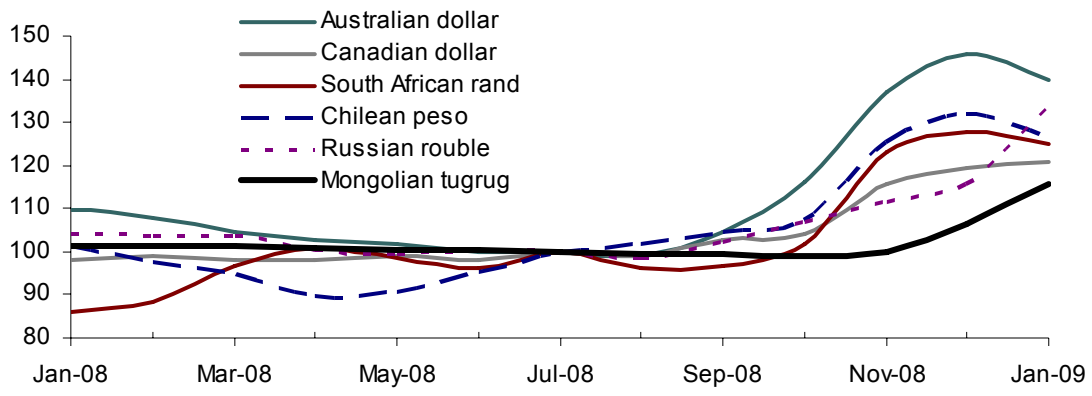
Source: Bank of Mongolia, World Bank

… Putting pressure on the exchange rate…

Globally, the currencies of all mining-dependent countries in the world came under pressure due to the fall in mineral prices. In response, and as a first defense mechanism to absorb the shock, many of these countries allowed their currencies to depreciate substantially against the US dollar, starting mid-2008 (Figure 10).

Figure 10. Major commodity exporters let their currencies depreciate against the US dollar to absorb the external shock, while Mongolia held on to the peg

Exchange rate against the US dollar, index=100 in July 2008



Last observation: January 29, 2009.
Source: Datastream, World Bank

In contrast, the policy of the Bank of Mongolia has been to strongly defend the currency and even let it appreciate by selling US dollars, in exchange for tugrug, to the commercial banks. During the first half of 2008—when high global food and fuel prices led to record-high inflation (33.7% year on year in August)—this made sense. However, as the drivers of inflation shifted to domestic causes (second-round effects, wage and salary increases), and the price of copper collapsed, the continuation of the existing stance led to a drop of $365 m of its reserves between July and December 2008 (Figures 11a and 11b).

Figure 11a. Having defended the peg at the cost of international reserves, the central bank let the currency depreciate by 25%* since the start of November…

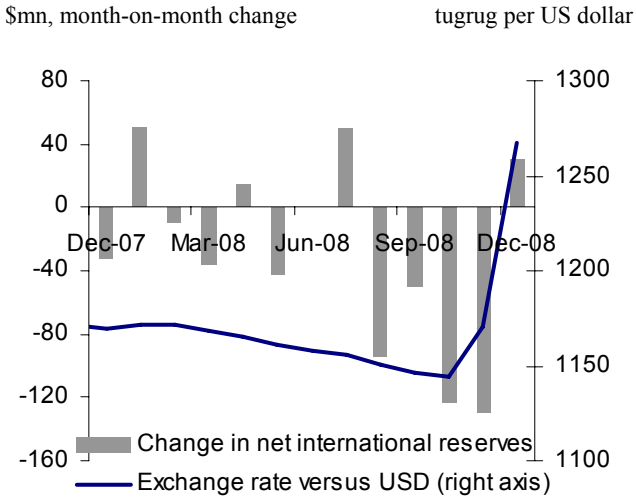
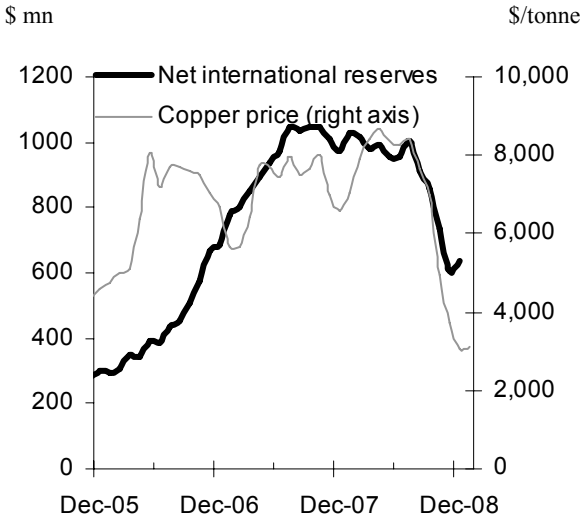


Figure 11b. … but international reserves were already declining rapidly with the falling global copper prices

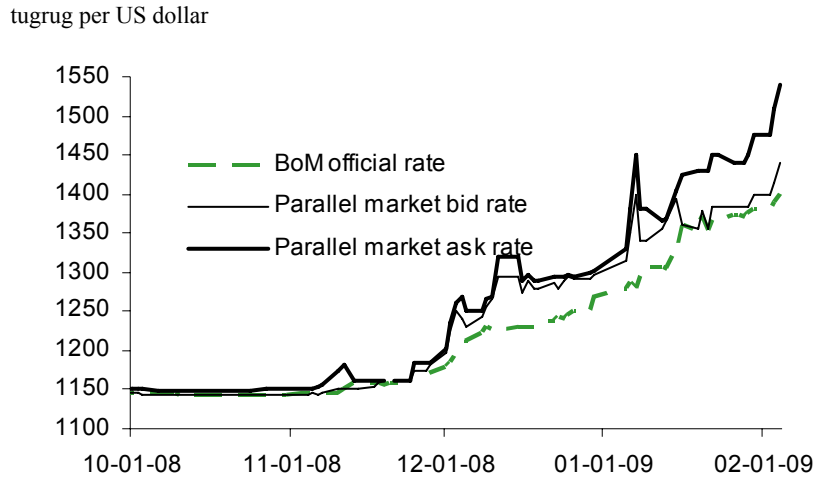


* Last observation: February 10, 2009.
Source: Bank of Mongolia, World Bank

Source: Bank of Mongolia

The demand for foreign currency at the official exchange rate quickly outstripped supply, As a result, a "parallel market"[4] for foreign exchange developed, where the US dollar started trading at much higher levels than the interbank rate (Figure 12), reaching MNT 1520 on February 5, 2009. In addition, the Bank of Mongolia had to start rationing foreign exchange, by administratively allocating it to priority goods (food, fuel and drugs). Currently, foreign exchange is rationed in all markets. Private sector is struggling to deal with the increased currency risk—some by simply stopping activities.

Figure 12. With FX being rationed, a parallel market appeared for US dollars



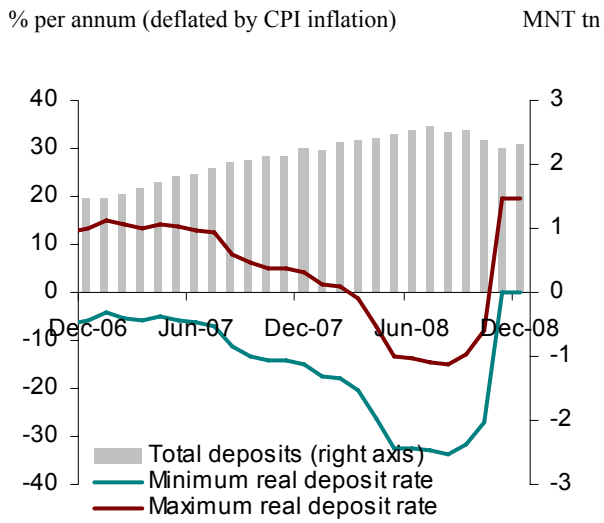
Last observation: February 5, 2009.
Source: Mongolian Financial Association, World Bank

[4] The word "black market" is the commonly used term in Mongolia, although it is not an illegal market.

Banking sector woes

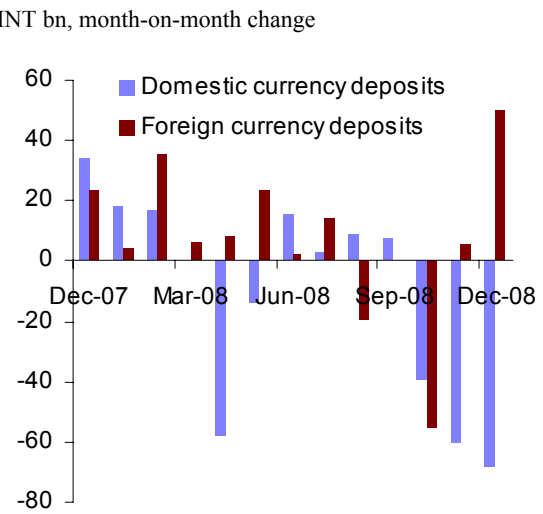
An added effect of the sale of foreign currency was that the Bank of Mongolia took tugrug out of the banking system. At the same time, the government was also withdrawing deposits from the banking sector and depositors were becoming concerned about the low interest rates on their tugrug savings. The real interest rate had in fact turned negative, as inflation rose, while nominal interest rates stayed flat (Figure 13a). This led to a flight out of tugrug deposits and into US dollar deposits (Figure 13b). The combination of all these factors led to liquidity problems in the banking sector.

Figure 13a. Negative real deposit rates made deposits very unattractive…



Source: Bank of Mongolia, World Bank

Figure 13b. … contributing to a flight out of deposits and into FX-denominated accounts

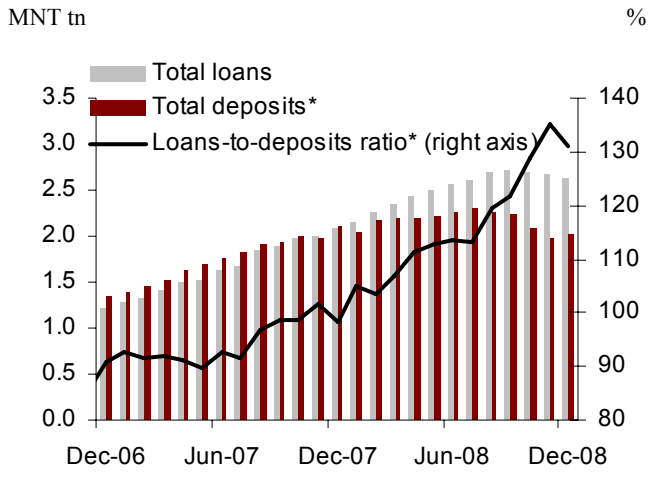


Source: Bank of Mongolia, World Bank

These liquidity problems came on top of pressures that had already built on the banking system during the previous years. During these years, the banking sector had expanded credit rapidly, with loan growth outstripping deposit growth since December 2006. Currently, the loan to deposit ratio is quite high, increasing to 131.1% in December 2008 from 98.2% in December 2007 (Figure 14).[5]

[5] The slight decline in the loan to deposit ratio may have been partly caused by exchange rate valuation effects, as parts of the loans and deposits are in foreign currency. This number may also be slightly smaller if Anod Bank is excluded from the sample.

Figure 14. As loans have grown faster than deposits, the loans-to-deposits ratio was already very high, even before the bank run in late 2008

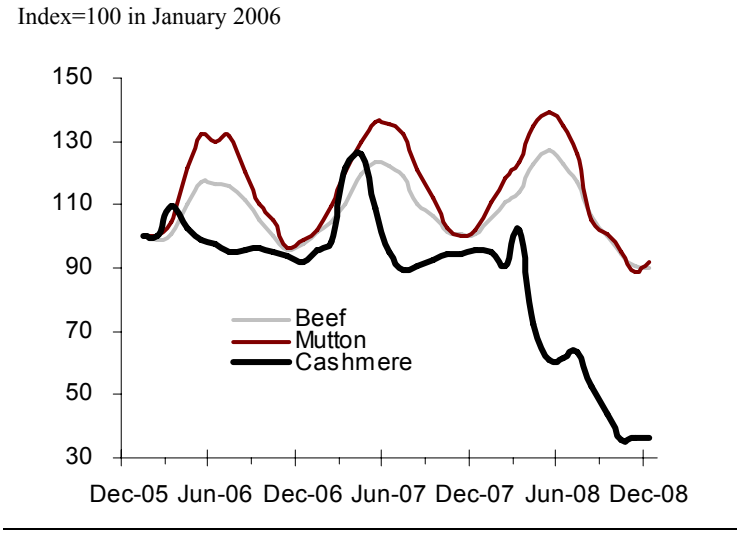


* Loans-to-deposits ratio excludes government deposits.
Source: Bank of Mongolia

Fortunately, the banks entered the downturn with no direct exposure to "foreign toxic assets" and little exposure to foreign credit. They also entered the down turn with a low level of non-performing loans. However, the quality of loans is showing signs of deterioration as the real sector and business growth have been slowing down.

For instance, a domestically generated housing bubble has now burst and negatively affected outstanding loans to the construction sector. Loans to the livestock sector have also been under pressure due to falling prices of cashmere and other livestock-originated raw material (hides, skin, wool, hairs, etc.) which led to declining income and collateral against the loans. The collapse of the cashmere price is the largest price shock in the last few years, far worse than the drop in prices of beef and mutton (Figure 15). The banks are restructuring the loans to this sector to address these emerging problems.

Figure 15. Loans to the livestock sector have been under pressure, due to decreases in income and collateral, as prices of beef, mutton and cashmere have fallen from their peaks



Note: All prices deflated by CPI.
Source: National Statistical Office, World Bank

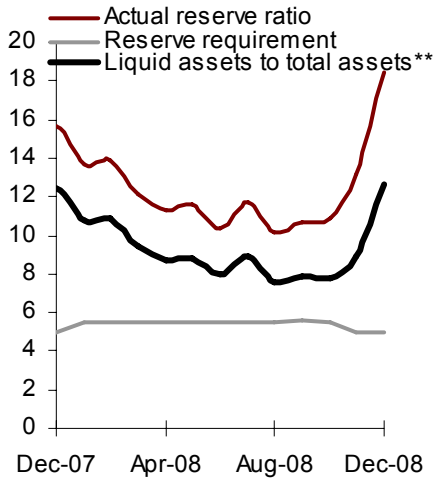
Then, in December 2008, confidence got a jolt when one bank (Anod Bank) failed. This not only shook the public's trust in the banking system, but it also made banks unsure about lending to each other, because it was not clear what the other banks' exposure to Anod was. In general, the banks' liquid assets have been increasing since October 2008, showing the bank's unwillingness to extend new credit but instead to increase their reserves (see Figure 16a).[6]

As a result, the ratio of non-performing loans (NPL) to the private sector shot up in December 2008. Loans with their principal in arrears also started to rise, signaling further problems with loans down the road (see Figure 16b). Both the simple capital-to-asset ratio and the capital adequacy ratio dropped in December (see Figure 16c). Note that the NPL and capital ratios include those of Anod Bank; this means that the ratios for the other banks should in principle be better. To restore public trust in the banking sector, the government issued a blanket deposit guarantee in November, which seems to have had a positive impact.

Figure 16. Selected banking sector indicators

a. Reserves

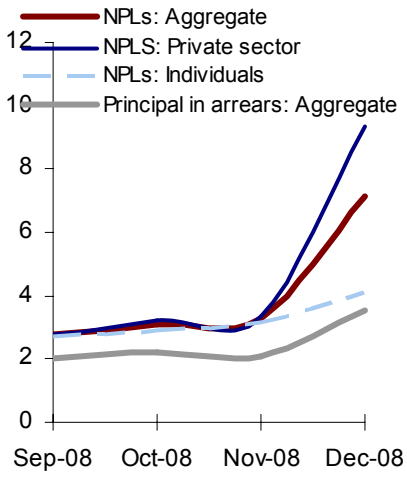
% of total deposits; ** % of total assets



Source: Bank of Mongolia, World Bank

b. Non-performing loans

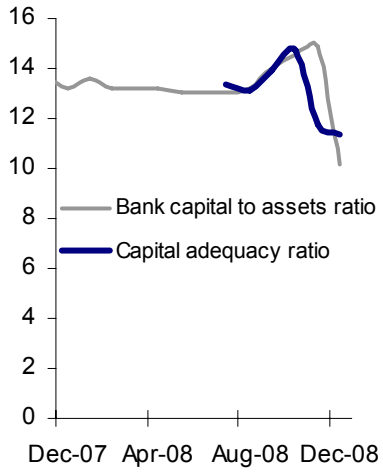
% of total loans of corresponding sectors



Source: Bank of Mongolia, World Bank

c. Capital-to-asset ratio

% of total assets (CAR: % of risk-weighted assets)



Source: Bank of Mongolia, World Bank

The Way Forward

A fiscal shock of this magnitude will be difficult to absorb without considerably more efforts from the government on the revenue and the expenditure side. Similarly, the pressures on the external balance will lead to an unsustainable loss of international reserves if the government continues to try to defend the currency.

Even if the government takes decisive action on the economic front, the immediate financing needs are such that more external support is needed. In this regard, several development partners

[6] The December increase in liquid assets may have been partly caused by a major disbursement by the government during the last four days of 2008, which was stored into deposits.

are re-prioritizing their activities as a matter of urgency. The Government had asked the IMF for a program, and the Fund has just concluded a first mission. The ADB, the World Bank and several bilaterals have indicated their willingness to provide budget support for a program agreed to with the IMF.

What other options of financing of available for the government? The best option would be to receive concessional financing from bilateral sources on an emergency basis. Less attractive options include issuing a domestic or foreign bond, or negotiating pre-payments on mining investments. These are less attractive, because they will be more expensive. A sovereign bond issue will, for instance, be quite expensive (Box 1) and a request for pre-payments on mining investments undermines Government's negotiating power.

Box 1. Prospects for a sovereign bond issue by Mongolia

The Mongolian government has received authorization by Parliament to issue an international sovereign bond. Using two estimated models of ratings and spreads we assessed the viability of such a hypothetical sovereign bond issue.

A simple ratings model amongst a sample of 44 rated emerging markets based on macroeconomic indicators such as CPI inflation, FX debt relative to FX reserves and trade openness suggests that Mongolia deserves a B rating with downward risks (speculative grade), which is similar to Fitch's recent assessment (Fitch, 2009). This puts it in the same league as Pakistan, Argentina, Lebanon, Ecuador and Ukraine.

In a recent Credit Suisse (2009) report, strategists found that emerging market sovereign spreads can be explained quite well with the sovereign rating and the loans-to-deposits ratio (up to 60-70%), although this number varies day by day, and reflect current investor concerns that the largest contingent liability for governments is a potential recapitalization of the banking sector. Using this simple relationship between the 5-year sovereign spread and the rating and loans-to-deposits ratios, we estimate that, with a B rating and an aggregate loan-to-deposit ratio of 131%, Mongolia's estimated spread would be about 1400bps had it issued a bond around mid-January (currently a typical emerging market would pay a 700bps spread, according to the Emerging Market Bond Index Global). The same report also recommends moving into G3 bank debt at the expense of emerging market debt, as it expects that G3 governments will directly or indirectly back its financial industry's debt. Table 1.1 shows that market conditions have become more difficult for countries with a rating similar to Mongolia's. An added complication is that Mongolia would be a first-time issuer with very weak macroeconomic fundamentals, which means that there may be very limited investor appetite, if any.

Table 1.1. Spreads paid on recent sovereign bond issues suggest that market conditions have become more difficult for low-rated sovereigns

Country	Rating (S&P/Moody's)	Date	Amount ($ mn)	Coupon (%)	Spread over benchmark (bps)
Jamaica	B/B1	Jun. 2008	350	8.00	417
Lebanon	CCC+/B3	Aug. 2008	500	8.50	504
Philippines	N.A./B1	Jan. 2009	1,500	8.38	600

Source: World Bank

This confirms that if Mongolia were to enter the sovereign bond market, it will be expensive.

Source: Fitch (Jan. 2009), *Mongolia: International Credit Update*; Credit Suisse (Jan. 2009), *Debt Trading Monthly*; World Bank staff estimates

Box 2. Could a fiscal stimulus work in Mongolia?

Empirical evidence that fiscal stimuli work at all to stimulate output in development countries is mixed at best. Moreover, a fundamental problem is that discretionary fiscal policy interventions in developing countries tend to be poorly timed (either by choice in the case of an upturn and by the inability to access external funding during a downturn), and to the extent that they do raise output, they do so at the wrong times, exacerbating business cycle fluctuations and undermining growth through greater volatility, particularly in countries with weak institutional environments. Finally, there are risks of expansionary bias: some fiscal expansions tend to be hard to reverse, undermining long-run fiscal and debt sustainability.

Some of these observations certainly apply to Mongolia's case. The following reasons support the argument that a stimulus package does not fit Mongolia's situation:

- **Limited space for extra spending.** Fiscal policy has been actually strongly procyclical during the past upturn. This leaves little room for a fiscal stimulus package during the downturn, as the government has saved too little and is already projected to run an 8% of GDP deficit. Fiscal spending increased to 40% of GDP in 2008 from 27% of GDP in 2005. The automatic stabilizers were weakened as Mongolia reduced the VAT, corporate and personal income tax, made social transfers, which were previously targeted to the poor, universal and added new ones. This led to a widening of the non-mining deficit to 15% of GDP in 2008 from 6% in 2004.
- **Limited effectiveness of a stimulus package given the characteristics of Mongolia's economy.** A countercyclical fiscal stimulus, for example the proposed distribution of MNT 1.5 mn (66% of 2008 GDP) to each citizen, may not have the desired effect, either in the short or medium run. As Mongolia is a small and very open economy which has to import most of its basic products (food, machinery and equipment, oil; overall imports are about 60% of GDP), the multiplier effect of a fiscal stimulus would be very limited anyway, because a large part of it will leak out the economy via increased spending on imports. Recent experience also suggests that it is likely that new government programs to combat the downturn will be difficult to reverse when the economy recovers.
- **Limited or costly financing options.** The question is whether Mongolia can finance a fiscal stimulus. A domestic bond issue under current circumstances will starve the private sector of credit, monetizing the deficit (effectively printing money) will lead to rebound of the very high inflation just when it is falling and to further macroeconomic instability as the public's trust in the tugrug and the banking system has already eroded. Obtaining external commercial funding will be on unfavorable terms due to its weak negotiation position. This is regardless of whether Mongolia issues an international sovereign bond (which will be very hard given the overall market conditions and Mongolia's weak macroeconomic indicators; see Box 1) and which will negatively affect its debt sustainability, or if it enters into long-run export contracts of its minerals, given the current low prices of commodities.

Instead of a fiscal stimulus, Mongolia should use its fiscal resources more efficiently. For example, it should ensure that its social transfers are retargeted to benefit the poor and are possibly increased to compensate for the erosion of its value due to high inflation.

Source: World Bank

Managing the crisis will require generating support for tough actions: including; (i) an intense public outreach effort to explain the severity of the problems to the nation; (ii) immediately demonstrate leadership by taking cost-cutting measures that show its own commitment.

Decisive action is needed urgently on three fronts. First, the government should make every effort to stabilize both the fiscal and external balances. These are the key objectives of the Stand-By Arrangement being discussed with the IMF. Once agreement with the IMF is reached, the other

development partners should be asked to provide additional support. This stabilization program is designed to protect the poor and the maintenance of critical infrastructure.

Second, as a small open economy, Mongolia has the option of allowing the exchange rate to depreciate—it would provide an effective stimulus to the economy and avoid further losses of international reserves. It will act as a stimulus to the economy by reducing imports and increasing exports. This is why the other commodity exporters in the world have allowed depreciations after the collapse of the commodity prices. The exchange rate adjustment should be managed to avoid overshooting.

Third, the crisis presents an opportunity to implement key reforms for immediate crisis management and create an improved policy framework going forward. For instance, to protect the poor from the downturn and save fiscal resources, the existing universal social transfers need to become targeted as a matter of urgency. If done well, this could save resources and at the same time lift *more* people out of poverty. To stabilize the banking sector, the government should take resolute action on the existing bank failure and intensify supervision, creating the conditions for a stronger banking sector. Similarly, by concluding sound new mining agreements, the government has the opportunity to clarify and improve the framework for long-term mining contracts, including the appropriate tax regime. Finally, the government can now adopt the fiscal rules and discipline necessary to manage the crisis. Such discipline will be an advantage as Mongolia prepares itself for the years to come, including future boom and bust cycles.….

Table 1. Mongolia: Key Indicators

	2003	2004	2005	2006	2007	2008e	2009f
Output, Employment and Prices							
Real GDP (% yoy change)	7.0	10.6	7.3	8.6	10.2	8.9	2.7
Mining sector output (% yoy change)	-0.4	31.1	10.6	6.3	2.9	0.1	0.0
Consumer prices (% yoy change)	4.6	10.9	9.6	5.9	14.1	23.2	9.0
Unemployment (% of labor force, end-year)	3.4	3.6	3.3	3.2	2.8	2.8	..
Population (mn)	2.48	2.53	2.56	2.59	2.64	2.68	2.72
GDP per capita ($)	583	717	900	1,214	1,491	1,960	..
Public Sector							
Government balance (% of GDP)	-3.5	-1.8	2.6	3.3	2.9	-5.0	-6.1
Non-mining balance (% of GDP)(1)	-5.9	-5.8	-1.3	-7.3	-13.3	-15.3	-10.7
Government expenditure (% of GDP)	34.9	33.5	27.2	33.3	38.0	40.2	37.7
Public sector debt (% of GDP, end-year)	..	..	..	46.1	39.5	30.6	..
Foreign Trade, BOP and External Debt							
Trade balance ($ mn)	-200	-195	-86	203	57	-691	..
Exports of goods ($ mn)	627	872	1,066	1,544	1,951	2,532	1,863
(% yoy change)	19.7	39.0	22.2	44.8	26.4	29.8	-26.4
Exports of mining goods (% yoy change)	..	..	24.7	37.7	15.6	37.2	..
Imports of goods ($ mn)	827	971	1,166	1,408	2,003	3,129	2,194
(% yoy change)	21.6	17.5	20.0	20.8	42.3	56.2	-29.9
Current account balance ($ mn)	-99	63	87	372	172	-503	..
(% of GDP)	-6.8	3.9	3.9	11.8	4.4	-9.6	..
Foreign direct investment ($ mn)	132	93	185	191	360	748	317
External debt ($ mn)	1,240	1,312	1,360	1,414	1,529	1,610	..
(% of GDP)	85.8	72.3	59.0	44.9	38.9	30.6	..
Debt service ratio (% of exports of g&s)	31.8	5.3	1.1	1.2	1.2	1.6	..
Net foreign exchange reserves ($ mn)	129	164	298	687	975	637	663
(months of imports of g&s)	1.9	1.6	2.4	4.1	4.6	2.1	..
Financial Markets							
Domestic credit (% yoy change)	157.3	25.8	18.8	-3.1	78.4	60.6	..
Central Bank bill rate (% p.a., end-year)	11.5	15.8	4.8	6.4	9.9	14.8	..
Exchange rate (MNT per USD, eop)	1,168	1,209	1,221	1,165	1,170	1,268	..
Real effective exchange rate (% yoy change)(2)	7.4	-2.7	-6.9	-3.0	-1.9	-5.8	..
Memo:							
Nominal GDP (MNT bn)	1,660	2,152	2,780	3,715	4,600	6,130	6,294
Nominal GDP ($mn)	1,446	1,816	2,306	3,150	3,930	5,258	4,320

The projections are in line with World Bank and IMF recommendations. (1) Non-mining balance excludes revenues from corporate income tax and dividends from mining companies, the Windfall Profits Tax and royalties. (2) Positive is depreciation.
Source: Bank of Mongolia, National Statistical Office, Ministry of Finance, IMF and World Bank staff estimates