

# MONTHLY MACROECONOMIC UPDATE

December 2023

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## ▶ ECONOMY IN 2023

### GDP growth

(Q3 2023)

**6.9** percent

\*Economic growth is expected to reach 6.8% in 2023.

### International reserves

(End of 2023)

**4.9** billion \$

### Inflation

(End of 2023)

**7.9** percent

### Budget balance

(End of 2023)

**763** billion ₹

### Exports

(End of 2023)

**15.2** billion \$

### Imports

(End of 2023)

**9.3** billion \$

### FDI

(Q3 2023)

**1.9** billion \$

### Loan rate

(November 2023)

**16.6** percent

### Number of employees

(Q3 2023)

**1.2** million

\* As of Q3, the labor force participation rate is 59 percent.

### Number of enterprises operating

(End of 2023)

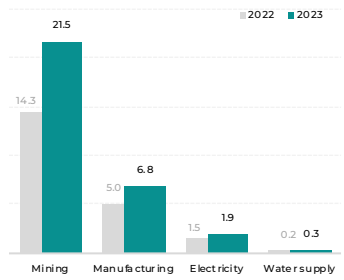
**96.8** thousand

\* Mainly in trade, services, construction and manufacturing sectors.



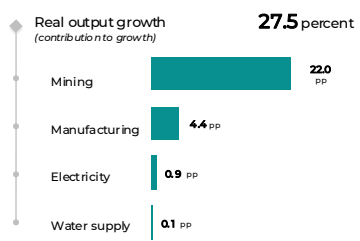
The recovery of the industrial sector in 2023 was mainly driven by increased production of mining products such as coal, crude oil, and copper concentrate. Moreover, meat processing manufacturing surged this year, with the removal of domestic export quotas.

### GROSS OUTPUT (trillion ₹)



Source: National Statistics Office

### REAL OUTPUT (percentage points)



Source: National Statistics Office, MED estimation

### GROSS OUTPUT

- The gross industrial output reached ₹30.5 trillion in 2023, showing a notable increase of 45% from the previous year.
- This growth was driven by a 50% increase in mining gross output due to the increased production volume of coal, crude oil, and copper concentrate.
- With the removal of meat export quotas, meat processing has increased and manufacturing gross output rose by 37%.

### REAL OUTPUT

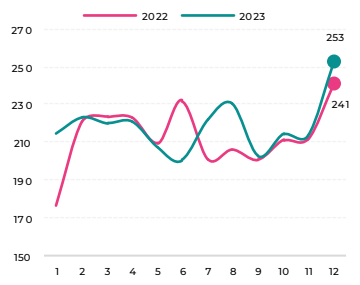
- In 2023, the real gross industrial output experienced 27.5% growth. This is mainly attributed to the real output expansion by 37% in the mining sector and by 16% in the manufacturing sector.
- The surge in meat processing activities (2.4 times increase in real gross output) resulted in the total manufacturing sector growth.

### MINING PRODUCTION (by main commodities)

Commodity	2023 Production	YoY change
Coal	81.2 mln.t	2.2 times more
Copper concentrate	1,395 thous.t	17%
Crude oil	4.9 mln.bbl	1.9 times more
Gold	149 t	-23%
Iron ore	7.6 mln.t	-19%

Source: National Statistics Office

### PRODUCER PRICE INDEX (2015=100)



Source: National Statistics Office

### MINING PRODUCTION

- In 2023, coal production soared to 81.2 million tons, a significant 2.2-fold increase from the previous year.
- With the commencement of the Oyutolgoi underground mine in March, copper concentrate production increased by 17 percent in 2023.
- Crude oil production returned to normal in H2 2022 and almost doubled in volume in 2023 compared to 2022.
- However, gold and iron ore production decreased by 23 and 19 percent, respectively.

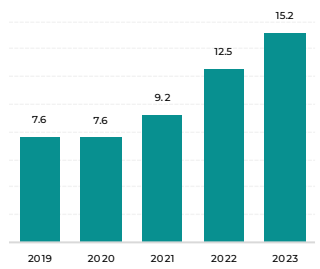
### PRODUCER PRICE INDEX

- The industrial producer price index rose by 5% from the previous year and 70% from the pre-pandemic period. By sector, producer price index reveals the following increases:
  - Mining production: 24%
  - Food manufacturing: 16%
  - Beverage manufacturing: 13%
  - Textiles manufacturing: 10%



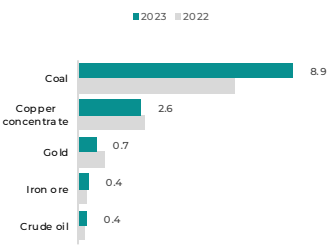
The foreign trade balance reached \$5.9 billion by the end of 2023, reflecting a 35 percent increase compared to the corresponding period in the previous year, driven by the upswing in exports.

### EXPORTS (billion \$)



Source: MCGA

### EXPORTS BY MAIN PRODUCTS (billion \$)



Source: MCGA

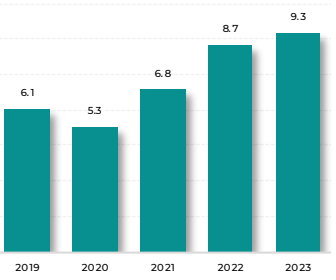
### EXPORTS

- In 2023, exports have surged to \$15.2 billion, marking a 21.1 percent increase compared to the previous year.
- Notably, coal exports alone accounted for 58 percent of the total exports.

### EXPORTS BY MAIN PRODUCTS

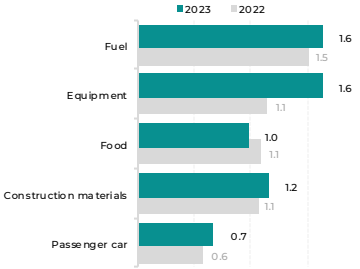
- Coal exports hit a record high of 70 million tons, generating a revenue of \$ 8.9 billion.
- Copper concentrate totaled 1.5 million tons, yielding \$2.6 billion, largely driven by the commencement of Oyutolgoi underground mine operations.

### IMPORTS (billion \$)



Source: MCGA

### IMPORTS BY MAIN PRODUCTS (billion \$)



Source: MCGA

### IMPORTS

- In 2023, imports reached \$9.3 billion, increasing by 5.8 percent from the previous year.
- Stable prices in trading partner countries kept import price pressures low, with 16% growth attributed to prices and 84% to volume.

### IMPORTS BY MAIN PRODUCTS

- Equipment import reached \$1.6 billion in 2023, increasing by 42 percent from the previous year.
- Food product imports reached \$1.0 billion, up by 10 percent compared to the previous year.



GLOBAL COMMODITY PRICE TRENDS

**COAL**

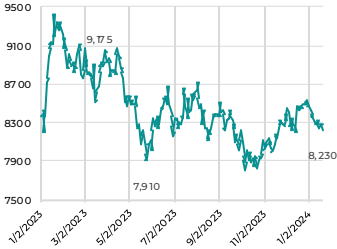
(\$/tonn, Australian high quality coking coal, SGX)



Source: Bloomberg

**COPPER**

(\$/tonn, LME)



Source: Bloomberg

**COAL**

- The average price of Australian high-quality coking coal on the Singapore Exchange in 2023 was \$296, showing a 19 percent decrease from the previous year.

**COPPER**

- In 2023, the average price of copper on the London Metal Exchange stood at \$8,523, reflecting a 3 percent decrease from previous year.

**IRON CONCENTRATE**

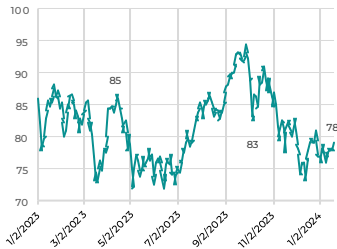
(\$/tonn, Iron Concentrate 62%, Northwest China)



Source: Bloomberg

**CRUDE OIL**

(\$/BBL, Brent)



Source: Bloomberg

**COPPER CONCENTRATE**

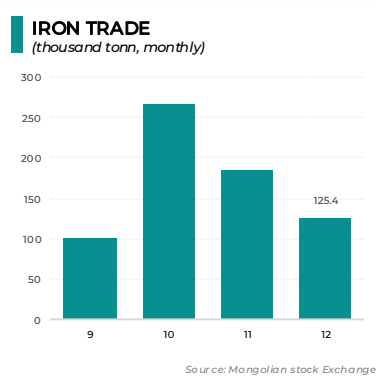
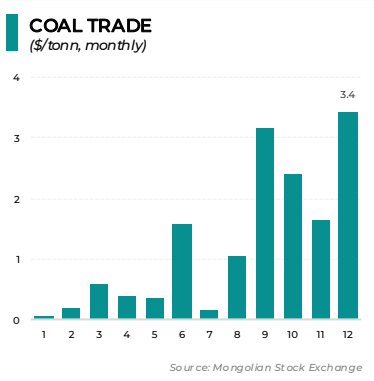
- In 2023, the average price of Iron ore in the Northwest China reached \$121, reflecting a 1 percent decrease from previous year.

**CRUDE OIL**

- In 2023, the average price of Brent oil reached \$121, showing a 1 percent decrease from previous year.

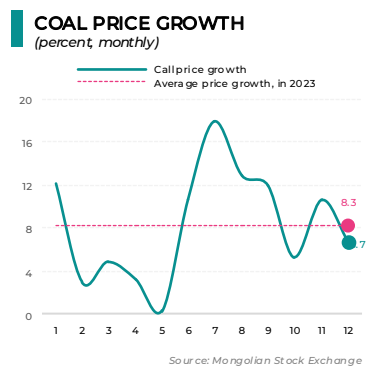
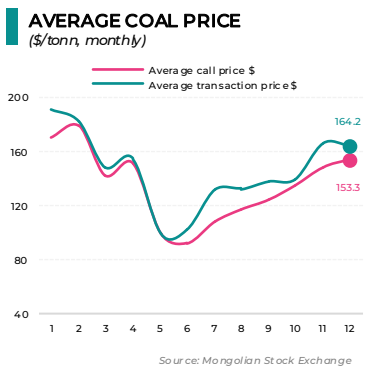


In 2023, coal trade reached 14.9 million tons, and iron ore trade amounted to 678 thousand tons, with an average of 8 percent price increase from the initial rates. The introduction of the Mining Commodity Exchange platform facilitated transparency in mineral sales, enabling market participants to trade at the real market price. As of January 17, 2024, the exchange recorded trades of 214 thousand tons of coal and 59 thousand tons of iron ore.



## COAL TRADE

- In 2023, 14.9 million tons of coal were traded on the Mining Commodity Exchange, earning ₮7.4 trillion or \$2.1 billion.
- With strong foreign demand, 3.4 million tons of coal were traded in December, marking the highest-selling month of the year.
- As of January 17, 2023, 214 thousand tons of coal were traded on the Mining Commodity Exchange, earning \$28 million.



## IRON TRADE

- Iron trade began in September 2023.
- In 2023, 677 thousand tons of iron ore were traded on the Mining Commodity Exchange, earning ₮196 billion or \$57 million.
- As of January 17, 2023, 59 thousand tons of iron ore were traded on the Mining Commodity Exchange, earning \$5 million.

## AVERAGE COAL PRICE

- On the Mining Commodity Exchange, 9 types of coal are traded. In December, the average call price was \$153, while the average transaction price was \$164.
- In December, the transaction prices varied by coal type, ranging from a minimum of \$31 to a maximum of \$210, with an average of \$164.

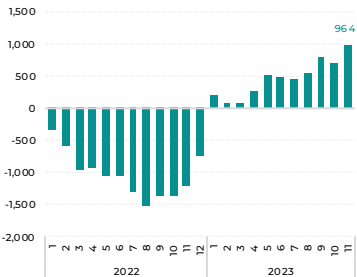
## COAL PRICE GROWTH

- In 2023, coal transaction prices rose by an average of 8.3 percent from the initial call price.
- In December, the average coal price increased by 6.7 percent from the call price, although it was lower than the average of the previous month.



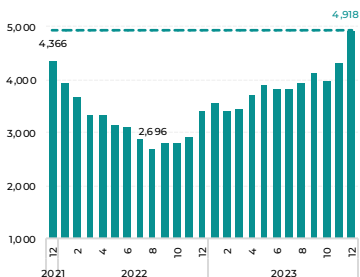
The balance of payments registered \$1.0 billion surplus, primarily driven by a surge in mining export revenue, supported by the measures taken by the government to increase the international reserves. Both balance of payments and fiscal balance are expected to remain in surplus at the end of 2023. The MNT/USD exchange rate stabilized, reaching a record high level in international reserves.

**BALANCE OF PAYMENTS**  
(million \$)



Source: Mongolbank

**GROSS INTERNATIONAL RESERVES**  
(million \$)



Source: Mongolbank

**BALANCE OF PAYMENTS**

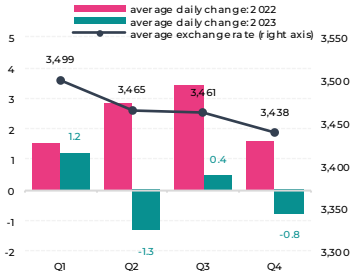
BOP statistics for Dec 2023 is to be released at the end of Jan 2024.

- As of the first 11 months of 2023, the balance of payments recorded a surplus of \$964 million, marking a significant improvement of \$2.2 billion compared to the same period last year.
- At the same time, the current account surplus reached a historic high of \$481 million, with the export of goods and services increasing by \$4.4 billion year-on-year.
- Net FDI inflow stood at \$1,333 million, down by \$136 million from the same period last year.

**GROSS INTERNATIONAL RESERVES**

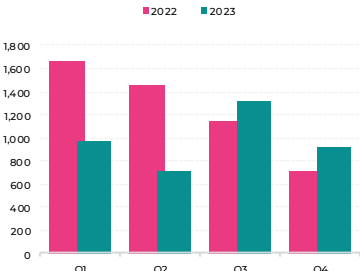
- Gross international reserves reached a record high of \$4.9 billion at the end of 2023, marking a substantial increase of \$1.5 billion or 44.7 percent.

**DAILY EXCHANGE RATE CHANGE**  
(MNT/USD)



Source: Mongolbank

**FOREIGN EXCHANGE AUCTIONS**  
(million \$)



Source: Mongolbank

**DAILY EXCHANGE RATE CHANGE**

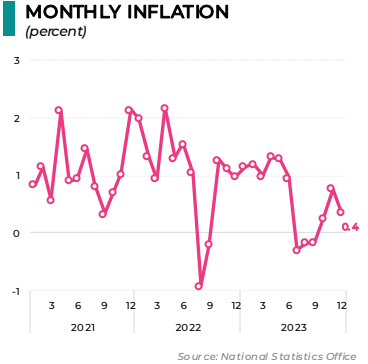
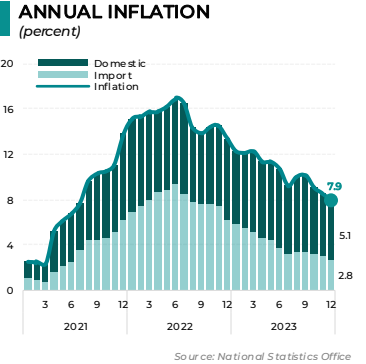
- At the end of 2023, the MNT/USD rate stood at 3,411, down by 1.1 percent since the beginning of the year.
- The increase in international reserves played a crucial role in stabilizing the MNT/USD rate, with MNT recovering from average daily depreciation of 2.6 in 2022 to appreciation of 0.1 in 2023.

**FOREIGN EXCHANGE AUCTIONS**

- In 2023, the Bank of Mongolia sold \$3.9 billion to commercial banks, down by 21.4 percent or \$1.1 billion from 2022.
- The supply increased from \$1.7 billion in the first half of 2023, to \$2.2 billion in the second half.



In December, the annual inflation rate slowed to 7.9 percent, falling within the central bank’s target range. Inflation of imported goods remained low, supported by increased export revenue, growth in gross international reserves, and stabilized nominal exchange rate. However, the rise in prices for certain domestic agricultural goods contributed 40 percent to the annual inflation.

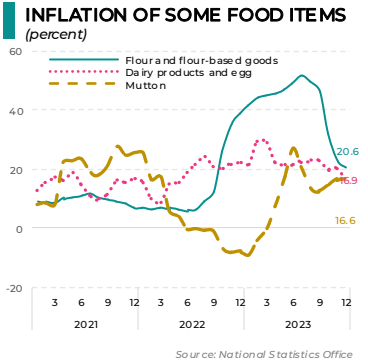
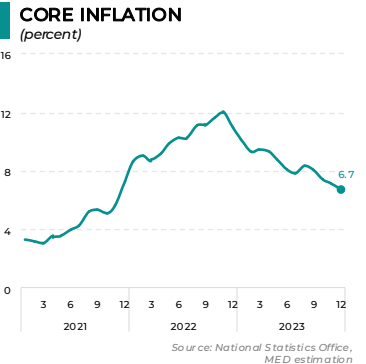


### ANNUAL INFLATION

- In December, the annual inflation rate slowed to 7.9 percent, falling within the central bank’s target range.
- Inflation from imported goods contributed 2.8 percentage points, accounting for 35.3 percent of the annual inflation.

### MONTHLY INFLATION

- On a monthly basis, prices rose 0.4 percent from November to December.
- Monthly inflation was mainly due to increases in prices of food group, constituting around 70 percent of total inflation.
- Mutton, milk, and flour-based goods contributed 33 percent, 14 percent, and 12 percent, respectively, to the monthly inflation.



### CORE INFLATION

- Core inflation is measured by excluding volatile food and energy costs from headline inflation.
- Core inflation stood at 6.7 percent in December, which contributed 4.5 percentage points to annual inflation.
- Core inflation declined gradually for the last four months.

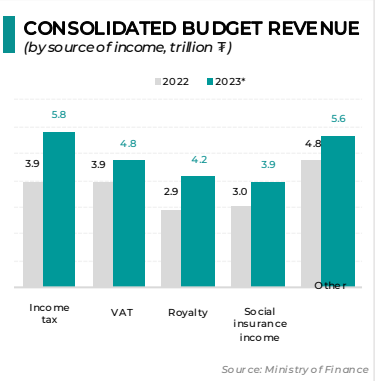
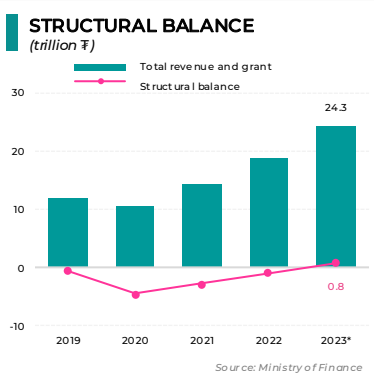
### INFLATION OF SOME FOOD ITEMS

- Price increases in meat, dairy products, and flour-based goods contributed 38 percent to annual inflation in December.
- Flour and flour-based goods prices rose 20.6 percent year-over-year.
- Dairy products and egg prices increased 16.9 percent year-over-year.
- Mutton price increased 16.6 percent year-over-year.



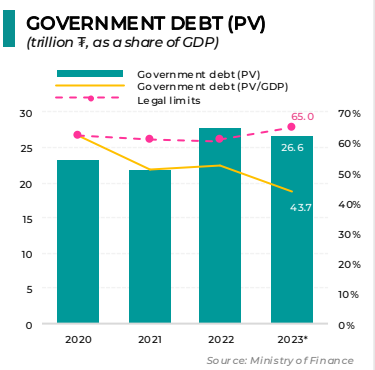
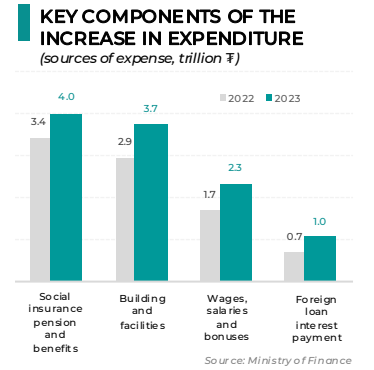


The consolidated budget achieved a surplus for the first time since 2018. The royalties increased by 43 percent from the same period of last year attributed to the improvement in the organization of mineral transportation and export activities, coupled with the implementation of the Mining Commodity Exchange system.



### STRUCTURAL BALANCE OF THE CONSOLIDATED BUDGET

- In the preliminary data of 2023, the structural balance of the consolidated budget yielded a surplus of ¥763 billion.
- The surplus was driven by the growth in export revenue and acceleration of economic activity.



### THE CONSOLIDATED BUDGET REVENUE

- As of the preliminary estimation for 2023, the total revenue within the consolidated budget amounted to ¥24.3 trillion, reflecting an increase of ¥5.8 trillion (30%) compared to the previous year.
- This upsurge was mainly driven by an increase of ¥1.9 trillion in income tax, ¥1.3 trillion in royalties and ¥900 billion in value added tax.

### KEY INCREASE COMPONENTS OF THE EXPENDITURE

- Compared to the previous year, the total expenditure of the consolidated budget was ¥22.4 trillion, showing a notable increase of ¥4.3 trillion (23.7%) in the early assessment of 2023.
- In accordance with the amendment to the 2023 budget law, there was an increase of ¥994 billion for wages and salaries and ¥529 billion for social insurance pension and benefits.

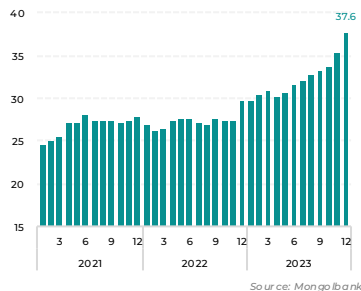
### GOVERNMENT DEBT (PV)

- The government debt reached ¥30.8 trillion, accounting for 43.7 percent of GDP in present value.
- The preliminary results show that the government debt level, as a share of GDP in present value, aligns with the special fiscal requirements.

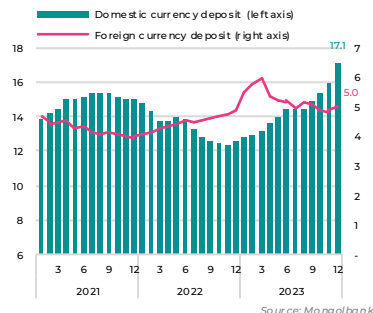


At the end of 2023, the money supply reached ₺37.6 trillion, up by 26.8 percent from the previous year. This growth was primarily driven by a 36 percent year-over-year increase in deposits in domestic currency.

### MONEY SUPPLY (trillion ₺)



### DEPOSIT ITEMS (trillion ₺)



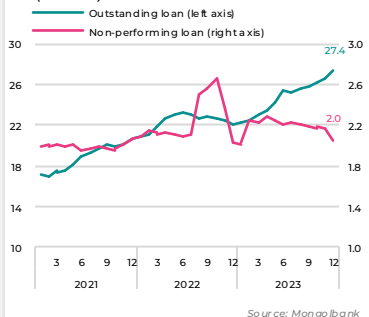
### MONEY SUPPLY

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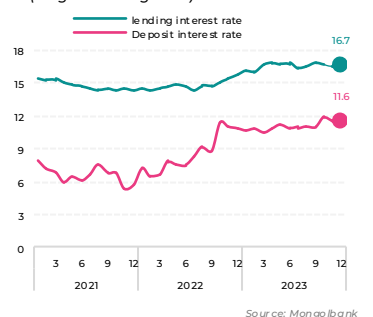
### DEPOSIT ITEMS

- Total deposits reached ₺22.1 trillion, marking a 26.2 percent increase from the same period of last year.
- Domestic currency deposits reached ₺17.1 trillion, showing a 36 percent increase from the same period of last year and 7.6 percent from the previous month.
- Foreign currency deposits reached ₺5.0 trillion, up by 1.8 percent from the same period of last year and 2.9 percent from the previous month.

### LOAN ITEMS (trillion ₺)



### INTEREST RATE (weighted average rate)



### LOAN ITEMS

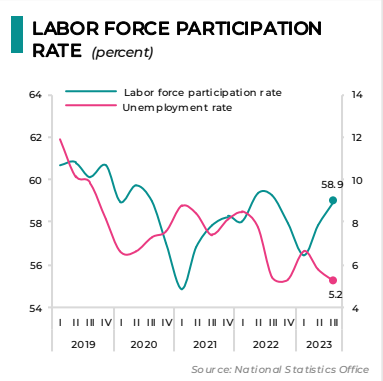
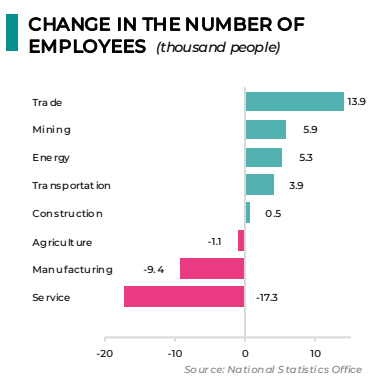
- In December 2023, bank loans reached ₺27.4 trillion, up by 24 percent from the same period last year.
- The balance of non-performing loans is ₺2.0 trillion. The share of non-performing loans in total loan was 7.4 percent (decreased by 1.7 percentage points from last year.)

### INTEREST RATE

- In December 2023, the weighted average interest rate on new loans increased by 1.0 percentage points to 16.7 percent.
- At the same time, the weighted average interest rate on new deposits increased by 0.7 percentage points to 11.6 percent.

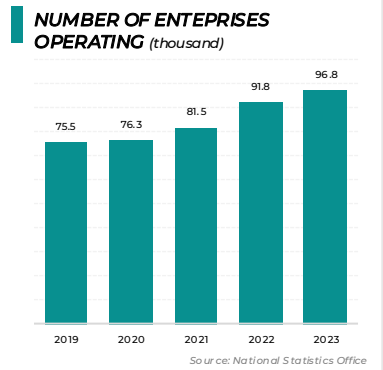
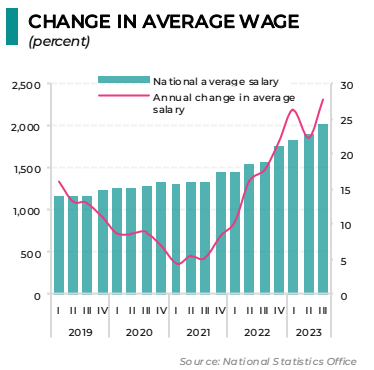


The economy has witnessed growth for six consecutive quarters; however, the labour market indicators remain below pre-pandemic levels. Additionally, the labour force has declined for the past four consecutive quarters, accompanied by an expansion in the population outside the labour force. This trend suggests a diminishing interest among individuals in workforce participation.



### CHANGE IN THE NUMBER OF EMPLOYEES

- The number of workers reached 1.2 million by the third quarter of 2023, reflecting a modest year-on-year increase of 2 thousand individuals, indicating a relatively low growth rate.
- Sectors such as mining, energy, transportation, and construction played a pivotal role in bolstering the overall employment figures.
- Conversely, the services, manufacturing, information and communication, agriculture sectors experienced a downturn, negatively impacting employment.



### LABOR FORCE PARTICIPATION RATE

- The labor force participation rate reached 58.9 percent, indicating a 1.2 percent decrease from the pre-pandemic level.
- In the third quarter of 2023, the number of unemployed citizens decreased by 2 thousand compared to the corresponding period in the previous year, reaching a total of 66 thousand.

### CHANGE IN THE AVERAGE WAGE

- In the third quarter of 2023, the average salary reached 2,009 thousand MNT, showing a notable increase of 27.3 percent compared to the same period last year.
- By industry, the average salary in the mining sector stands at 2.4 times to the national average.

### NUMBER OF ENTERPRISES OPERATING

- In 2023, the number of enterprises operating reached 96.8 thousand, marking an increase of 5 thousand from the previous year.
- This growth is predominantly attributed to the rise of micro enterprises with 1-9 employees in the trade and service sectors.



MINISTRY OF ECONOMY AND DEVELOPMENT