

# MONTHLY MACROECONOMIC UPDATE

February 2024

## CONTENTS:

1. GDP
2. Foreign Trade
3. Commodity Price Trends
4. Mining Commodity Exchange Trade
5. BOP, International Reserves
6. Inflation
7. Budget
8. Money and Finance
9. Labor Market
10. World economy – China, Russia



## ▶ MAIN ECONOMIC INDICATORS

### GDP growth

(2023)

**7.0** percent

### International reserves

(15 March 2024)

**5.0** billion \$

### Inflation

(February 2024)

**7.0** percent

### Budget balance

(February 2024)

**1.3** trillion ₹

### Exports

(February 2024)

**2,240** million \$

### Imports

(February 2024)

**1,596** million \$

### FDI

(2023)

**3.1** billion \$

### Loan rate

(February 2024)

**17.0** percent

### Number of employees

(Q4 2023)

**1.2** million

\* As of Q4 2023, the labor force participation rate is 58 percent.

### Real wage growth

(Q4 2023)

**16.4** percent

### Number of enterprises operating

(End of 2023)

**96.8** thousand

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

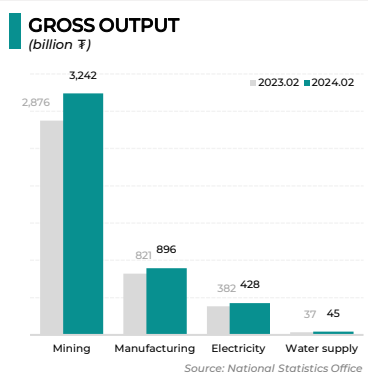
### Household real income growth

(Q4 2023)

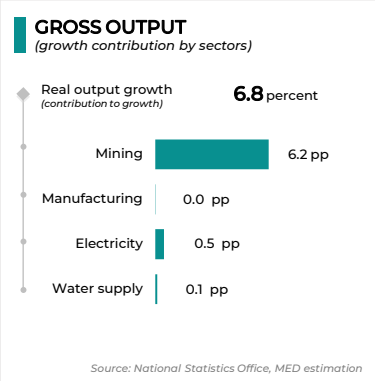
**14.1** percent



Industrial production increased by 12 percent in February 2024 compared to the same period of last year. The production of the mining sector played a crucial role in industrial growth.



- The gross industrial output reached ₹4.6 trillion in February 2024, an increase of 12 percent from the previous year.
- This growth was driven by a 13 percent increase in mining gross output due to the increased production volume of coal, gold, copper concentrate, and iron ore.
- The manufacturing gross output increased by 9 percent from the previous year.



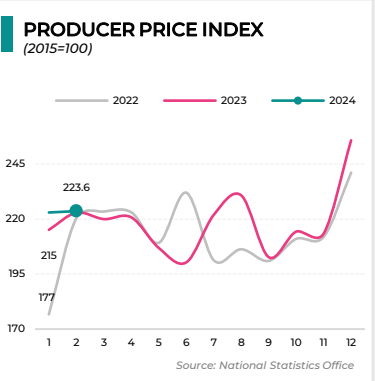
- The gross industrial output experienced 6.8 percent real growth in February 2024.
- The mining sector accounted for 6.2 percentage points of the real gross industrial output growth.

### MINING PRODUCTION (by main commodities)

Commodity	Production	YoY change:
Coal	13.7 mln.t	20%
Copper concentrate	232 thous.t	4%
Crude oil	0.7 mln.barrel	-11%
Gold	1.2 t	2%
Iron ore	697 thous.t	15%

Source: National Statistics Office

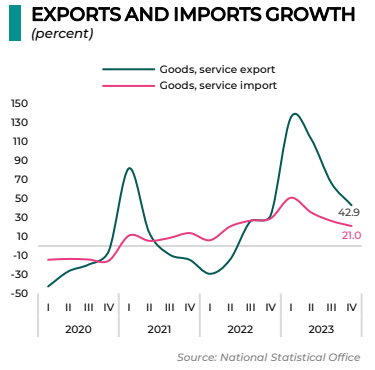
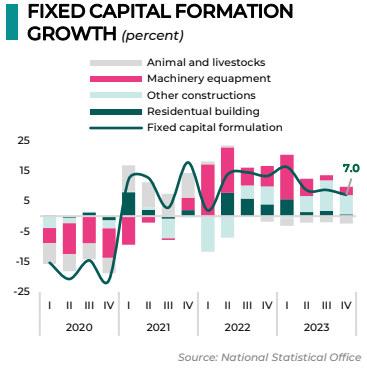
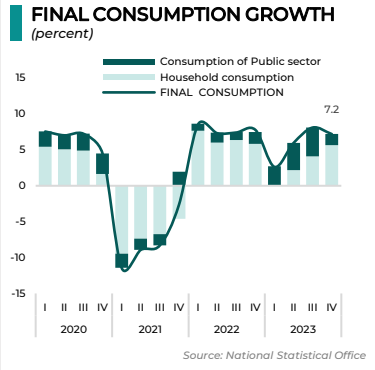
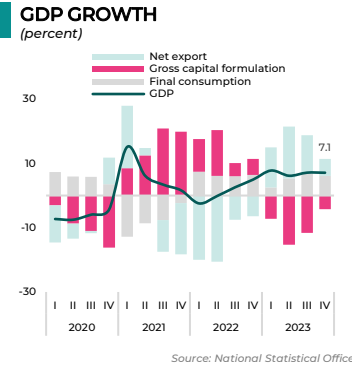
- Coal production reached 13.7 million tons, an increase of 20 percent in February compared to the previous year.
- Copper concentrate and gold production increased by 4 percent and 2 percent, respectively.
- Iron ore and iron ore concentrate production increased by 15 percent.
- However, crude oil production has not reached the level of production of the previous year.



- The producer price index (PPI) increased by 0.3 percent from the same period last year and by 65 percent from the pre-pandemic period.
- PPI has increased in:
  - Food production by 15.7 percent,
  - Beverages and alcoholic beverages by 7.7 percent,
  - Textile by 7.9 percent respectively;
- PPI decreased in:
  - Production of leather and leather products by 0.4 percent,
  - Mining by 1.1 percent,



By the demand side preliminary estimates, the economy grew by 7.1 percent in 2023. Both external and domestic demand were favorable and stimulated growth.



- Economic growth was estimated at 7.1% by demand side approach.
- Final consumption contributed 6.1 percentage points and net exports contributed 5.2 percentage points to the growth, while capital formation contracted by 4.3 percentage points.

- In 2023, final consumption reached ₮25.9 trillion, expanding by 7.2 percent from the previous year.
- Private consumption contributed 5.7 percentage points and public consumption contributed 1.6 percentage points to the final consumption growth.

- Fixed capital formation grew by 7 percent. Non-residential and engineering construction contributed 6.4 percentage points, machinery equipment contributed 2.7 percentage points, and residential construction contributed 0.6 percentage point to the growth.
- However, due to a surge in losses of adult livestock, fixed capital formation growth slowed by 2.4 percentage points.

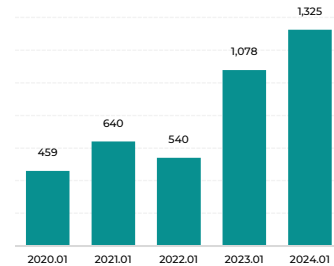
- In 2023, goods and service exports increased by 2 times more rapidly than goods and service imports.
- The overall trade deficit accounted for 7.5 trillion tugriks, which declined by 16.6 percent from the last year.



The foreign trade balance reached \$644 million by February 2024, decreasing by 38 percent from the same period of the previous year.

### EXPORTS

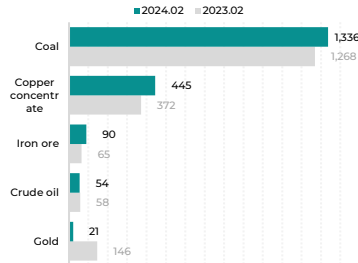
(million \$)



Source: MGCA

### EXPORTS BY MAIN PRODUCTS

(million \$)



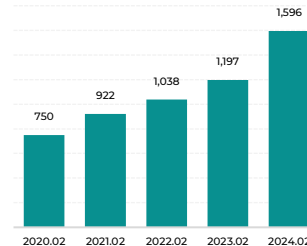
Source: MGCA

- In February 2024, exports have surged to \$2,240 million, marking a 1 percent decrease compared to the previous year.
- Mining products accounted for 95 percent of total exports, including coal exports, which alone accounted for 60 percent.

- Revenue from coal exports surged to \$1,336 million, marking a 5 percent increase compared to the previous year.
- Copper concentrate export revenue reached \$445 million, an increase of 16 percent from the same period last year.
- Crude oil export income reached \$54 million, decreasing by 6 percent from the same period last year.
- Iron ore export reached \$90 million, an increase of 28 percent from the same period last year.

### IMPORTS

(million \$)

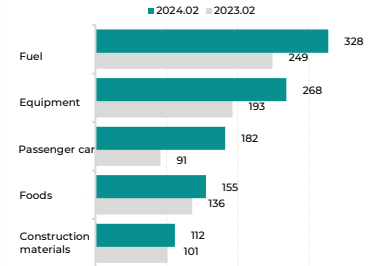


Source: MGCA

- As of February 2024, imports reached \$1,596 million, an increase of 33 percent from the same period of the previous year.
- Petroleum product accounted for 20 percent of the total imports, while equipment and automobiles accounted for 17 percent and 11 percent, respectively.

### IMPORTS BY MAIN PRODUCTS

(million \$)



Source: MGCA

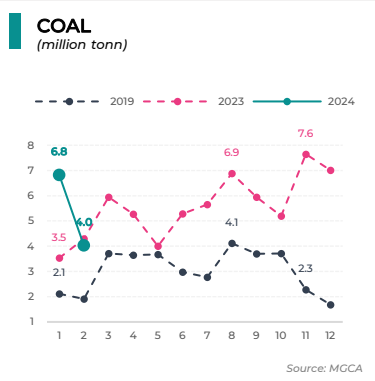
- Equipment import reached \$328 million in February 2024, increasing by 39 percent from the previous year.
- Passenger car imports reached \$182 million, which increased twice compared to the previous year.
- Petroleum product imports reached \$327 million, which increased by 32 percent compared to the previous year.

# 2.1 MINERAL PRODUCTS

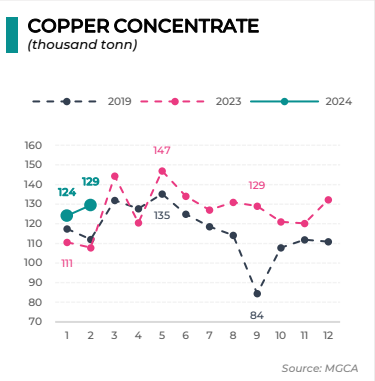
FEBRUARY 2024



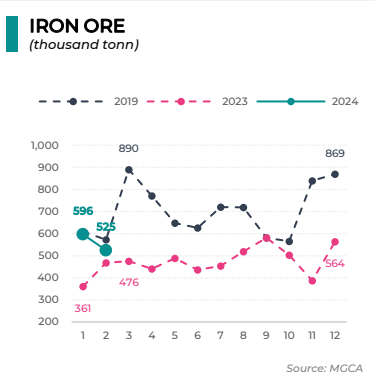
In February 2024, mining products accounted for 95 percent of total exports, including coal and copper concentrate alone for 80 percent.



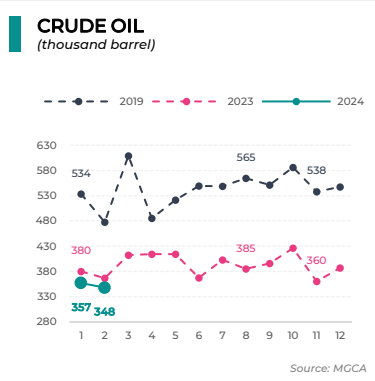
- Coal exports reached 4.0 million tons in the February 2024, marking a 7 percent decrease compared to the previous year.
- Coal exports were distributed as follows: 3.6 million tons through Gashuunsuhait port, 1.8 million tons through Shiveehuren port, 0.6 million tons through Khangii port, and 0.7 million tons through various other ports.



- Copper concentrate exports reached 129 million tons in the February 2024, marking a 17 percent increase compared to the previous year.
- Copper concentrate exports were distributed as follows: 73 thousand tons through Gashuunsuhait port, 51 thousand tons through Zamyn-Ud port.



- Iron ore exports reached 525 thousand tons in the February 2024, marking a 11 percent increase compared to the previous year.
- Iron ore exports were distributed as follows: 525 thousand tons through Zamyn-Ud port, 63 thousand tons through Burgastai port, 8 thousand tons through various other ports.

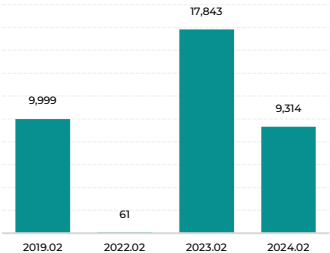


- Crude oil exports reached 357 million tons in the February 2024, marking a 5 percent decrease compared to the previous year.
- Petroleum oil exports were distributed as follows: 340 thousand tons through Zamin-Ud port, 17 thousand tons through various other ports.



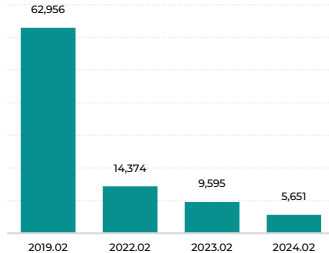
In February 2024, the export of the main agricultural products, except for cashmere, decreased from the same period last year.

### MEAT (thousand tonn)



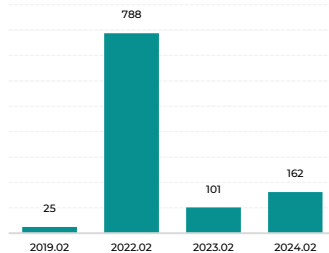
Source: MGCA

### SKINS, LEATHER, FURSKINS (square meter)



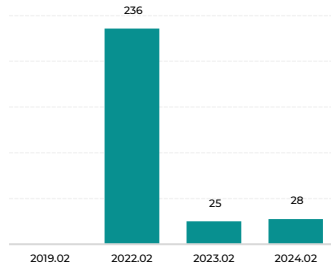
Source: MGCA

### CASHMERE (thousand tonn)



Source: MGCA

### WOOL (thousand tonn)



Source: MGCA

- Meat exports reached 9,314 million tons in the February 2024, marking a 48 percent decrease compared to the previous year
- In particular, the export of canned meat decreased by three times compared to the same period last year and reached 2,785 thousand tons.

- Skins, leather, furskins exports reached 5,651 thousand decimeter in the February 2024, marking a 41 percent decrease compared to the previous year

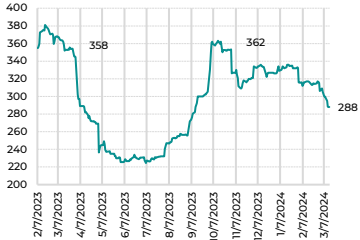
- Cashmere exports reached 162 tons in the February 2024, marking a 60 percent decrease compared to the previous year

- Wool exports reached 28 ton in the February 2024, marking a 10 percent increase compared to the previous year



GLOBAL COMMODITY PRICE TRENDS

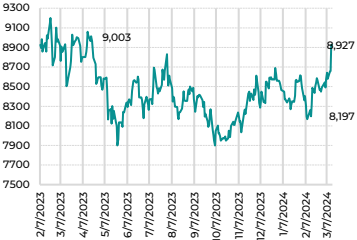
**COAL**  
(\$/tonn, Australian high quality coking coal, SCX)



Source: Bloomberg

- The average price of Australian high-quality coking coal on the Singapore Exchange in February 2024 was \$315, showing a 16 percent decrease from the previous year.

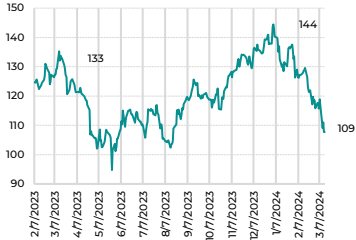
**COPPER**  
(\$/tonn, LME)



Source: Bloomberg

- The average price of copper on the London Metal Exchange in February 2024 was \$8,311, showing an 8 percent decrease from the previous year

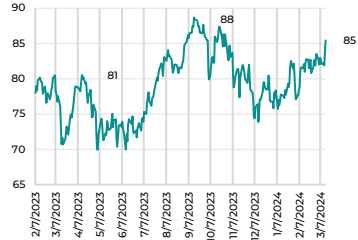
**IRON CONCENTRATE**  
(\$/tonn, Iron Concentrate 62% Northwest China)



Source: Bloomberg

- The average price of Iron ore in the Northwest China in February 2024 was \$125, showing a 1 percent decrease from the previous year

**CRUDE OIL**  
(\$/BBL, Brent)



Source: Bloomberg

- The average price of Brent oil in February 2024 was \$80, showing a 4 percent increase from the previous year

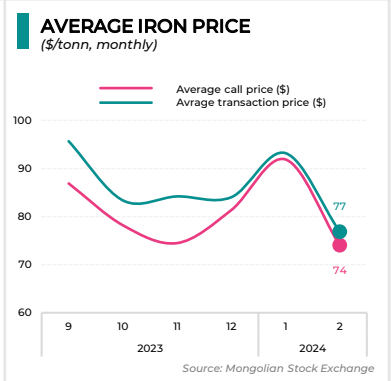
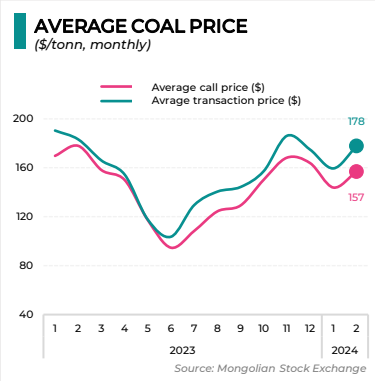
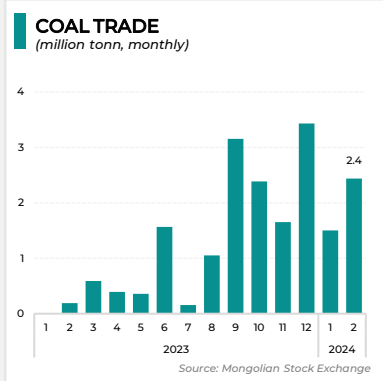


# 4. THE MINING COMMODITY EXCHANGE TRADE

FEBRUARY 2024



As of February 2024, a total of 20 million tons of coal, 1,023 thousand tons of iron ore and concentrates were traded on the the mining commodity exchange since 2023.



- As of February 2024, a total of 20 million tons of coal was traded and \$2.8 billion was earned.
- In the first 2 months of 2024, 5.1 million tons of coal were traded and \$691 million were earned.
- A total of 2.4 million tons of coal were sold in February 2024, compared to 1.5 million in January 2024.

- The average call price of coal in February 2024 was \$157, and the average transaction price was \$178.
- Depending on the type of coals, in February 2024, the minimum transaction price reached \$79, the maximum price reached \$206, and the average price was \$178.

- The trading of iron ore and concentrates began in September 2023, and a total of 677.5 thousand tons of iron ore and concentrates were traded in 2023, and sales of ₮196 billion or \$57 million were made.
- As of February 2024, 303 thousand tons of iron were traded and \$24 million was earned in 2024.
- Starting from February 6, 2024, "Darkhan Metallurgical Plant" began trading iron ore on the exchange.

- The average call price for iron ore and concentrate in February 2024 was \$74, and the average transaction price was \$77.
- Depending on the type of iron, in February 2024, the minimum price of the deal was \$56, the maximum price was \$105, and the average price was \$77.

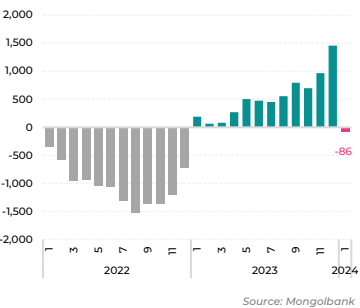
# 5. BALANCE OF PAYMENTS, GROSS INTERNATIONAL RESERVES

JAN-FEB 2024

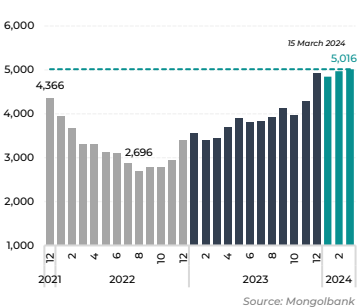


The balance of payments recorded a deficit of \$86 million at the end of January 2023. The gross international reserves declined reached \$5 billion in March 2024 and the MNT continued to appreciate against the USD.

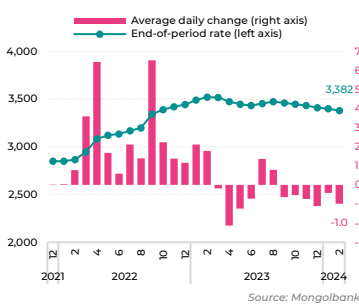
## BALANCE OF PAYMENTS (million \$)



## GROSS INTERNATIONAL RESERVES (million \$)



## EXCHANGE RATE (MNT/USD)



## FOREIGN EXCHANGE AUCTIONS (million \$)

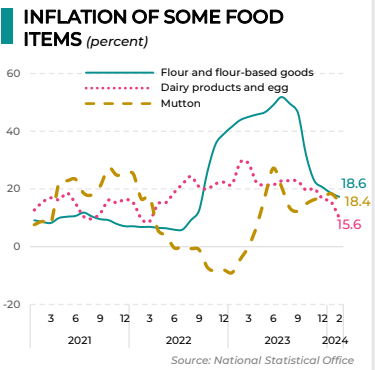
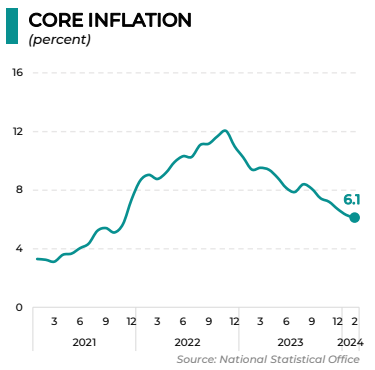
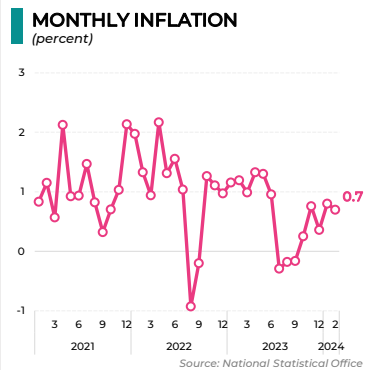
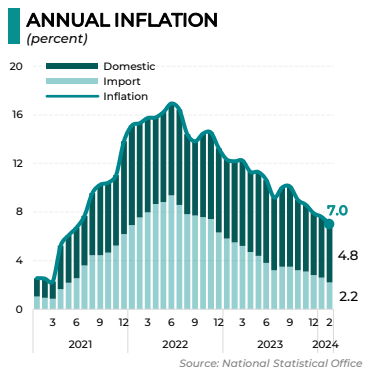


- The balance of payments recorded a deficit of \$86 million in January 2024, down \$275 million from the same period last year.
- Both exports and imports of goods and services increased by \$201 million and \$272 million, respectively, resulting in a deterioration of the current account balance.
- Net FDI inflow\* stood at \$267 million in January 2024, up by \$158 million from the same period last year.
- Gross international reserves (GIR) stood at \$4,971 million at the end of February 2024, further increasing to \$5,016 million as of 15 March 2024.
- This corresponds to 6.3 months of goods import coverage.
  - /calculated on average over the last 12 months/
- In February 2024, the MNT appreciated against the USD daily by 1 on average.
- At the end of February 2024, the MNT/USD rate was at 3,382, down by 0.6 percent or 19.6 since the beginning of the year.
- In February 2024, the Bank of Mongolia sold \$325 million to commercial banks, up 5 percent or \$15 million compared to February 2023, but down 34 percent or \$168 million from February 2022.

\*Net FDI inflow excludes transactions related to outflows of disinvestment and loan repayments.



The annual inflation rate slowed to 7.0 percent, falling within the central bank’s target range in February 2024. Inflation of imported goods remained low, supported by growth in gross international reserves, and stabilized nominal exchange rate. Even though there were slowdowns in inflation from domestic goods, their contribution to annual inflation remains high. On a monthly basis, consumer prices increased by 0.7 percent in February.



- In February, the annual inflation rate slowed to 7.0 percent, falling within the central bank’s target range.
- Inflation from imported goods contributed 2.2 percentage points, accounting for 31.4 percent of the annual inflation.
- Inflation from domestic goods and services contributed 4.8 percentage points, accounting for 68.6 percent of the annual inflation.

- On a monthly basis, consumer prices increased by 0.7 percent in February.
- Monthly inflation was mainly due to increases in prices of food group, constituting around 73 percent of total inflation.
- Mutton, milk, and flour-based goods contributed 47 percent, 6 percent, and 11 percent, respectively, to the monthly inflation.

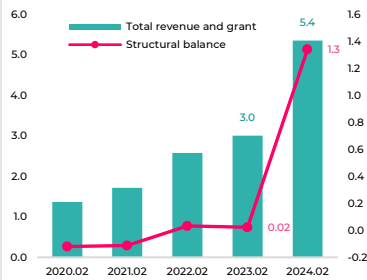
- Core inflation is measured by excluding volatile food and energy costs from headline inflation.
- Core inflation stood at 6.1 percent in February 2024, which contributed 4.1 percentage points to annual inflation.
- Core inflation declined gradually for the last six months.

- Price increases in meat, dairy products, and flour-based goods contributed 27 percent to annual inflation in February 2024.
- Flour and flour-based goods prices rose 17.3 percent year-over-year.
- Dairy products and egg prices increased 10.1 percent year-over-year.
- Mutton price increased 15.8 percent year-over-year.



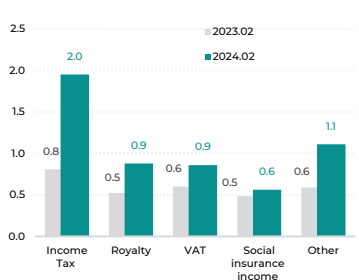
The consolidated budget recorded a surplus of ₹1.3 billion in February 2024. The improvement was mainly attributed to the increase in royalties.

**STRUCTURAL BALANCE**  
(trillion ₹)



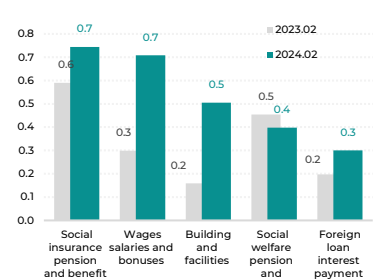
Source: Ministry of Finance

**BUDGET REVENUE**  
(by sources, trillion ₹)



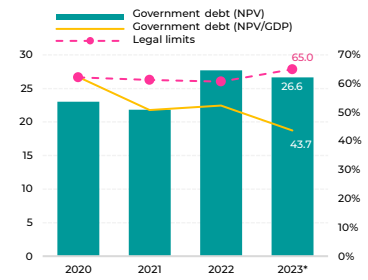
Source: Ministry of Finance

**KEY COMPONENTS OF THE EXPENDITURE INCREASE**  
(by sources, trillion ₹)



Source: Ministry of Finance

**GOVERNMENT DEBT (NPV)**  
(trillion ₹, as a share of GDP)



Source: Ministry of Finance

- In February 2024, the structural balance of the consolidated budget yielded a surplus of ₹1.34 trillion, an increase of ₹1.32 trillion from the same period of the last year.

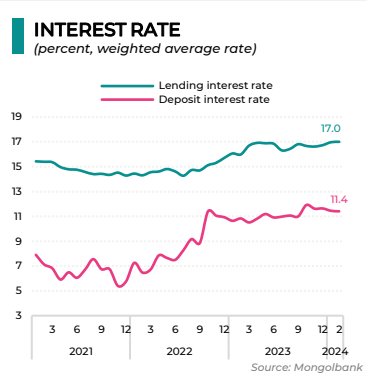
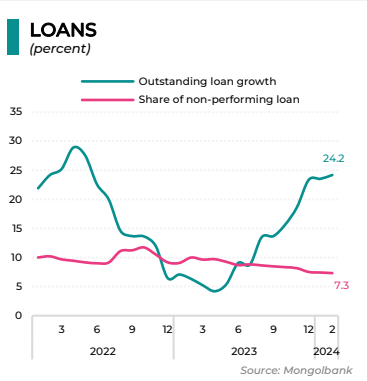
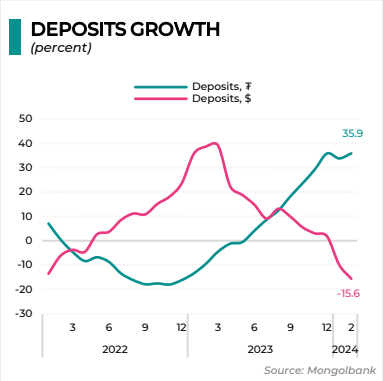
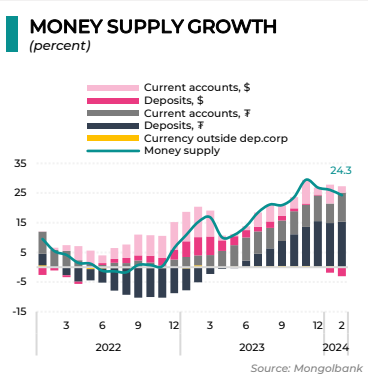
- In February 2024, the total revenue within the consolidated budget amounted to ₹5.4 trillion, reflecting an increase of ₹2.4 trillion (78%) compared to the same period of the last year.
- This upsurge was mainly driven by an increase of ₹1.1 trillion in income tax, ₹355 billion in royalties and ₹261 billion in value added tax.

- In February 2024, the total expenditure of the consolidated budget amounted to ₹3.8 trillion, an increased of ₹995 (36%) billion from the same period of the previous year.
- In 2024, it is planned to increase the salaries of all government employees by 10 percent, and the salaries of general service employees by 20 percent.

- 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.



Annual growth of money supply decreased by 1.8 percentage points from the previous month. Compared to the previous month, foreign currency current and deposit accounts decreased, while domestic currency current and deposit accounts increased. Annual growth rate of outstanding loans also increased.



- At the end of February 2024, the money supply reached ₮37.6 trillion, up by 24.3 percent from the same period previous year. Domestic currency current and deposit accounts contributed 25.1 percentage points, while foreign currency current and deposit accounts contributed -0.8 percentage point.

- Total deposits reached ₮22.5 trillion, marking a 20.0 percent increase from the same period last year.
- Domestic currency deposits reached ₮17.6 trillion, up 35.9 percent from the same period last year and 2.8 percent from the previous month.
- Foreign currency deposits reached ₮4.9 trillion, increasing by 15.6 percent from the same period last year and 1.1 percent from the previous month.

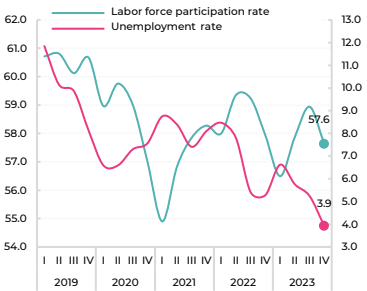
- At the end of February 2024, outstanding loans increased annually by 24.2 percent to ₮27.8 trillion.
- The share of non-performing loans in total loans fell to 7.3 percent compared to 10 percent in the February 2023.

- In February 2024, the weighted average interest rate on new loans was at 17.0 percent, up 1.0 percentage point from the same period last year.
- The weighted average interest rate on new deposits was at 11.4 percent, up 0.6 percentage point from the same period last year.



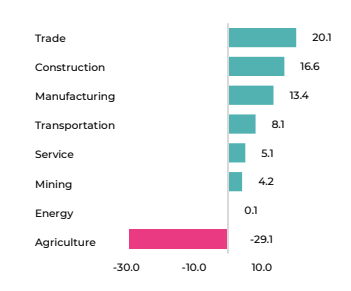
The economy has experienced six consecutive quarters of growth, yet the labor market has not recovered to the pre-pandemic levels. Unemployment rate has reached its lowest level. The labor force has been contracting for the past five consecutive quarters, while the population outside the labor force continues to expand.

### LABOR FORCE PARTICIPATION RATE (percent)



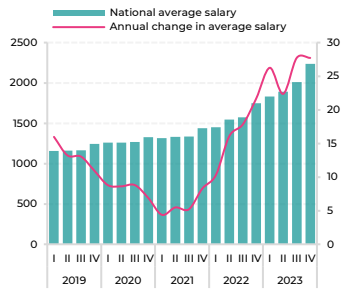
Source: National Statistics Office

### CHANGE IN THE NUMBER OF EMPLOYEES (percent)



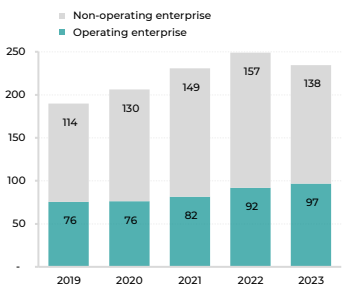
Source: National Statistics Office

### CHANGE IN AVERAGE WAGE (percent)



Source: National Statistics Office

### TOTAL NUMBER OF REGISTERED ENTERPRISES (thousands, by activity)



Source: National Statistics Office

- The labor force participation rate fell to 57.6 percent, marking a 2.5 percentage decrease from the pre-pandemic period.
- The number of unemployed population decreased by 15.8 thousand individuals in the fourth quarter of 2023 from the same period in the previous year, totaling 48.8 thousand.
- The unemployment rate dropped by 1.4 percentage from the previous year, reaching 3.9 percent.

- By the fourth quarter of 2023, the number of employees reached 1.2 million, reflecting an increase of 40 thousand person compared to the same period the previous year. Despite this growth, the speed rate of increase was low.
- Sectors including trade, construction, manufacturing, transportation, service, mining, energy experienced a rise in employment, contributing to the overall increase.
- On the other hand, the agricultural sector's employment declined.

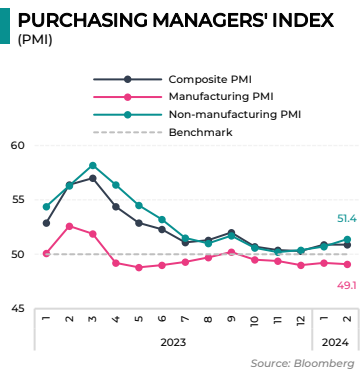
- In the fourth quarter of 2023, the average salary reached ¥2,235 thousand, showing a notable increase of 27.7 percent compared to the same period last year.
- By industry, the average salary in the mining sector stands at 2.3 times to the national average.

- The total number of registered enterprises decreased from the previous year, primarily due to a reduction in non-operating enterprises.
- In 2023, the number of enterprises operating reached 96.8 thousand, marking a 5 thousand increase from the previous year.
- This growth is predominantly attributed to the rise of micro enterprises /1-9 employees/ in the trade and service sectors.

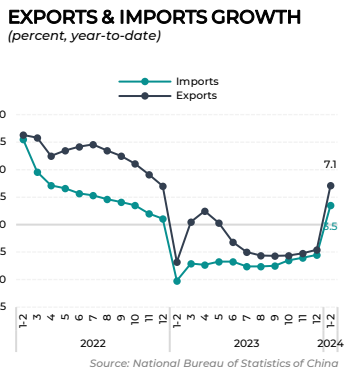


In 2023, China's external and domestic demand remained subdued, with exports and imports contracting for the first time since 2016 and the pandemic, respectively. In January 2024, the official manufacturing purchasing managers' index rose from the previous month, but remained below the threshold of 50, indicating weak activity.

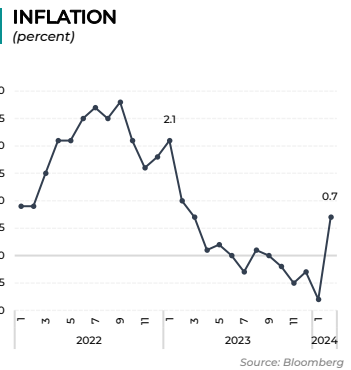
China's economic data for January and February are combined.



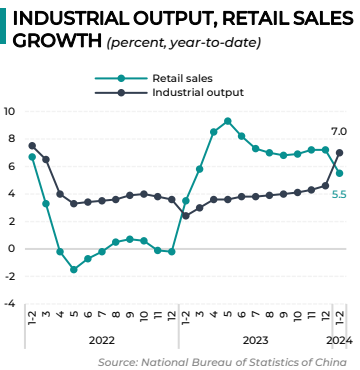
- The manufacturing PMI fell to 49.1 in February 2024, from 49.2 in January 2024, remaining below 50 for the fifth consecutive month.
- The non-manufacturing PMI remained above 50.



- Exports and imports grew by 7.1 percent and 3.5 percent, respectively, surpassing market forecasts.



- Inflation stood at 0.7 percent in February 2024, turning positive for the first time in six months.



- Industrial output grew by 7.0 percent in the first two months of 2024, the fastest growth in two years.
- Retail sales grew by 5.5 percent in the first 2 months of 2024.

*Purchasing Managers' Index (PMI) is an index summarized and compiled through the results of the monthly survey of enterprises' purchasing managers, involving 3200 samples from the manufacturing industry as well as 4300 samples from the non-manufacturing industry.*

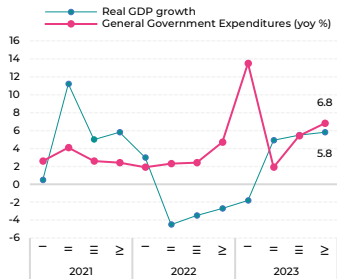
*The PMI above 50 reflects expansion in the overall economy over the last month, while PMI below 50 indicates contraction.*



Russia's GDP expanded by 5.8 percent year-on-year in the fourth quarter 2023 and is expected to grow by around 3.7 percent in the first quarter 2024. Growth was supported by a boost in public spending, manufacturing, and military-related production.

## GDP GROWTH

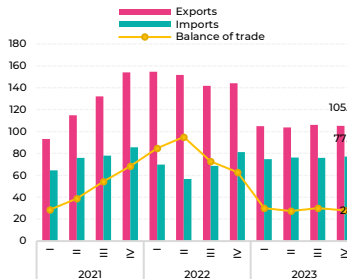
(percent)



Source: Bloomberg

## TRADE BALANCE

(billion \$)



Source: Central Bank of the Russian Federation

## INFLATION

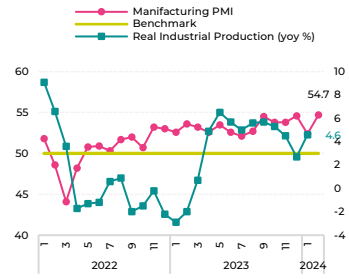
(percent)



Source: Bloomberg

## PURCHASING MANAGERS' INDEX

(PMI)



Source: Bloomberg

- GDP growth reached 5.8 percent in 2023 Q4.
- Government final consumption expenditure drove up 6.8 percent in 2023 Q4.
- The economy has reached its highest growth rate since the 4th quarter of 2021, due to the expansion of budget expenditures related to the increase in the cost of the Russian military and the increase in commodity prices.

- In 2023 Q4, exports declined 27.0 percent compared 2022 Q4 and 31.4 percent compared to 2021 Q4.
- In 2023 Q4, the value of the imports declined 5.0 percent compared 2022 Q4.
- Export reduction was due to the decline in prices for the basic goods of Russia (primarily oil, gas and petroleum products) and the reduction in the physical volume of exports.

- Inflation stood at 7.7 percent in February 2024, increased by 0.3 percent compared with previous month .
- Since December 2023, the inflation rate has been gradually increasing, which is still above the Central Bank's target level of 4 percent.

- In February 2024, the manufacturing sector PMI reached a seven-year high of 54.7 percent.
- The manufacturing sector expansion was driven by a sharp increase in new orders, which supported employment and real output as inventory purchases increased.
- Real Industrial Production growth rose by 4.6 percent year-on-year in January 2024, the highest in three months and following a 2.7 percent increase in December 2023.





MINISTRY OF ECONOMY AND DEVELOPMENT