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MONGOLIA

Recent Economic Developments

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Approved by the Asia and Pacific Department

July 18, 1997

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I . OUTPUT AND PRICES¹

1. Although significant progress was made in the transformation of the Mongolian economy in the early 1990s, many of the key structural problems remained unaddressed as the reform process slowed in the mid-1990s. Poor bank management, increasing amounts of nonperforming loans, lax monetary control, and inadequate banking supervision, weakened the banking system. Despite privatization, many large enterprises remained controlled by the state, other large enterprises, or managers. Although many prices were liberalized, prices for key inputs and consumer goods, such as fuels, energy, and food remained controlled and required large fiscal subsidies. The tax base remained narrow and dependent on a few state enterprises. The cumulative effect of these distortions, and policies to address them, had a large impact on developments in 1996 and early 1997.

2. Real GDP grew by a robust 6 percent in 1995, but this success proved to be short lived (Table 1, Figure 1). The sharp improvement in the terms of trade in 1995 (from a 40 percent increase in copper prices) boosted incomes and eased the financial constraints of the budget, enterprises, and banks. This enabled the government to delay price adjustments for electricity, heating, fuels, and key foods. Although, measured inflation was cut from the 50-60 percent range in 1995 to under 30 percent in mid-1996, the underlying inflationary pressures remained. With the reversal of the spike in copper prices in 1996, growth slipped back to 2½ percent and price controls could no longer be supported by the budget and the banks. In late 1996 and early 1997, when prices were liberalized, inflation rebounded to its previous range of 50-60 percent, and macroeconomic stabilization was complicated by the crisis and restructuring of the banking sector.

Figure 1: Real GDP Growth, 1991-96

A. Production

3. The drop in export income in 1996 from the steep fall in copper prices was rapidly transmitted to the other sectors of the economy, particularly construction. In the mineral sector, the slow growth in the production of copper concentrates was partly offset by growth

¹This background note updates the more detailed review of developments in the Mongolian economy in the 1990s, *Mongolia, IMF Economic Review No.1* (Washington: International Monetary Fund), 1996; and SM/96/26.

in the output of other minerals, especially gold, but from a much smaller base. Mounting losses from price controls and constraints on budgetary support contributed to the decline in the output of the energy and food processing sectors. Anecdotal evidence suggests that the small scale service sector continued to expand rapidly, but this is not accurately recorded in the data.²

4. The growth of agricultural output (livestock and crops) slowed from 6 percent in 1995 to 2 percent in 1996. The main source of weakness was the 20 percent decline in crop production (Table 3). The growth in the numbers of livestock continued, especially for the high-value cashmere goats. Exceptionally large forest fires erupted early in the year damaging 20 percent of the forest area and 4 percent of pasture land. Although the loss of personal property and direct emergency expenditures were small, about Tug 1 billion, the environmental damage was very large but is difficult to quantify.

B. Prices

5. Inflation fell from a range of 50-60 percent during 1995 to under 30 percent in mid-1996, as price controls masked the underlying inflationary pressures (Tables 11 and 12, and Figure 2). Following large price increases of fuels, energy, bread, and flour in late 1994-early 1995, the government formed commissions to evaluate future requests for price adjustments on these and other key products. Although the purpose was formally to prevent monopoly pricing, in practice, they were also used to limit price rises more generally. With the prices of other goods, labor, and imports increasing, the financial strength of the producers of controlled goods—Central Energy System (CES), Oil Import Concern (NIC), flour mills, and coal mines—was quickly eroded.

Figure 2: Consumer Price Inflation, 1994-97

6. Following national elections in mid-1996, policies changed and the new government moved quickly to eliminate price controls. In September 1996, the price commissions were abolished, flour and bread prices were increased by about 55 percent, and petroleum prices by 30-60 percent (Table 13). Large adjustments were also made in energy prices, which remained administered by the government, as prices were brought closer to operating cost recovery. Thus, coal prices were increased by an average of 45 percent and heat and

²A key weakness with the national accounts data is the inadequate coverage of the private sector.

electricity prices by an average of 60 percent.^{3 4} These large adjustments increased the level of the CPI by 19 percent in the month of September 1996. Subsequent adjustments in late 1996 were made to wholesale petroleum prices to cover changes in import costs. It is estimated that the direct effect of the liberalization of prices accounted for about a third of the 59 percent increase in the CPI in 1996.

7. In the first half of 1997, further large price adjustments in utilities and increase in fees for government services continued to add considerably to the CPI. In order to maintain progress at achieving full operational cost recovery by end-1997, as required under the Energy Law, heat and electricity prices were again increased by an average of 15 percent at the start of the year. Prices for other utilities— water, telephone, and postal services—were also raised by a large margin. Reflecting the on-going price adjustments and the depreciation of the exchange rate, the average monthly inflation in the June quarter 1997 was 4.5 percent, compared to 3.2 percent in the last quarter of 1996.

C. Wages

8. Wages in the formal sector increased by 13 percent in 1996 (annual average basis), well below the 50 percent annual average inflation rate (Table 14). The highest increases were in the large-scale public sector enterprises, i.e., mining, energy, telecommunications, oil distribution, and commercial banks. Conversely, the lowest increases were in the small-scale private sector.

9. There was no generalized increase in civil service wages during 1996, except for teachers. However, in annual average terms, civil service wages increased by 40 percent in the administrative and defense branches and by 30 percent in the education and health sectors because of the doubling of the whole wage structure in mid-1995 (Table 15). The largest proportional increase was at the low end of the scale as the real value of the government minimum wage was restored to the end-1992 level. The proportionally greater increases at the low end of the civil service pay scale over the 1990s have compressed wage differentials. The 1995 increases enabled government wages to catch up with wages in other sectors and raised the average civil service wage from 75 percent of the overall average wage in 1994, to 94 percent in 1996. Civil service wages were increased by 20-25 percent in May 1997.

³The price of electricity for those using 100 kwh or less per month was not changed in September 1996 in order to reduce the impact of these increases on the very poor. However, as more of the economy adjusted to the initial price change and welfare payments increased, electricity tariffs for these low volume consumers were increased in May 1997, by 75 percent to the residential rate of Tug 28 per kwh.

⁴Reforms in the energy sector are being supported by the AsDB.

II. PUBLIC FINANCE

A. Developments in 1996

10. In 1996, the budget deficit widened by 2½ percentage points to 9 percent of GDP, and the current budget surplus fell by 3 percentage points to 5 percent of GDP. The fall in copper prices weakened revenue while wages and salaries and transfer payment increases added to expenditures. With no disbursements of foreign cash loans, domestic bank financing jumped sharply to 2.3 percent of GDP and was a major source of liquidity creation (Table 16, Figures 3 and 4).

Revenue

11. The slow down in the economy, both from the adverse shift in the terms of trade and weaknesses in the state enterprise sector, sharply reduced revenues. Total revenue declined by 3 percentage points to 30½ percent of GDP with most of the decline in corporate income taxes (2½ percentage points of GDP) (Table 17). This reflected lower income tax payments by the Erdenet copper mine (the largest single tax payer), which suffered from the 40 percent fall in copper prices and substantial arrears on payments for its exports.⁵ Other corporate income tax collections were also weak because of the generally poor profitability of the state-owned banks and other enterprises. Meanwhile, the emerging private sector appears to have only made a very small contribution to corporate taxes. The growth of other taxes and customs duties slightly out paced the increase in nominal GDP, mainly because of the increase in import duties and fuel taxes. Social security contributions were reduced by the decision of the government to pay the employee contributions (5½ percent of wages) of civil servants to the social security funds, in lieu of a pay increase in 1996. Capital revenues

Figure 3: Budget Balance, 1991-97

Figure 4: Current Budget Balance, 1991-97

⁵This also contributed to lower nontax revenue.

Box 1. Mongolia: Education and Health Developments

The education and health sectors will be one of the first government sectors to undergo a fundamental reform of their operations. Prior to the break-up of the former Soviet Union, Mongolia maintained an extensive system of education and health services with high expenditures (17 percent of GDP in 1990) supported by substantial foreign assistance. With the reorientation of economy and the cutback in external assistance, expenditures on education and health declined sharply, especially in the early 1990s, to just over 9 percent in 1993-95. This decline was similar to that experienced in many of the countries of the former Soviet Union. In Table 1 below, 5 of the 8 sample countries experienced such a decline, some by a large margin. During this period, social spending cutbacks in Mongolia were not made on a systematic basis and the quality of services suffered. While spending was reduced, there was no significant rebalancing of staff and facilities and as a result, an increasing proportion of expenditures was used for wages, while maintenance was neglected and medical and educational supplies became scarce. The envisaged reforms aim at improving the use of resources to raise the level of services provided. Reforms in these sectors are being supported by the AsDB.

Table 1. Mongolia: International Comparisons of Education and Health
Expenditure 1/
(In percent of GDP)

	1992	1993	1994	1995
Mongolia	10.6	9.3	9.4	9.2
Average of countries below	10.2	8.9	9.6	8.1
Belarus	8.9	10.0	11.2	10.5
Georgia	6.1	1.2	0.3	1.4
Kazakhstan	5.7	7.1	4.9	4.2
Moldova	10.6	9.3	12.3	11.7
Russia	8.0	8.1	8.4	6.1
Tajikistan	16.8	14.2	15.1	8.1
Ukraine	10.5	8.2	10.4	10.7
Uzbekistan	15.0	13.0	14.0	12.0

Source: Horton, M., "Health and Education Expenditure in Russia, the Baltic States and the other countries of the Former Soviet Union," IMF working paper, November 1996.

1/ International comparisons must be cautiously interpreted due to education and health services provided by the private sectors.

School enrollments have continued to increase since 1993. In the late 1980s and early 1990s the enrollment rate fell sharply as the livestock was privatized and the opportunity cost of education in rural areas increased. School fees and other costs of education have also limited access to education by the very poor. However, as the economic reforms have progressed, more children have returned to school.

The reform of the education sector is aimed at improving the accessibility and quality of education through more efficient operations. Facilities will be rationalized by the elimination of duplicate education facilities, especially in the large urban areas. This rationalization will also start the adjustment to the expected future decline numbers of school-age children because of the drop in the birth rate since 1990. This rationalization of facilities will also involve some staff cutbacks to be achieved through voluntary separations, supported with a severance package equivalent to three years of salary. The savings will be available to improve the maintenance of the remaining facilities, improve the quality and effectiveness of secondary and higher education, and improve the access to education by the poor.

Despite the cutbacks in health expenditures, the main health indicators have shown continued gains. Infant mortality has been sharply reduced from 78 per thousand in 1982 to 40 in 1996 and life expectancy has increased from 61 years in 1984 to 65 years in 1994. As health expenditures have declined from 5 ½ percent of GDP in 1990 to 4 percent in 1996, shortages have developed and hospital patients have had to furnish their own meals and drugs.

Under the plans for the reform of the health system, cost recovery for health services will be enhanced while preserving access for the poor. Although a contributory health insurance scheme was established in 1994, compliance is very low and the government pays the health insurance contributions for about 55 percent of the population. Broadening the contribution base will reduce the budgetary burden of health services. In April 1997, a 10 percent copayment for hospital visits was introduced, with waivers for low income persons. Experiments are also being conducted with greater management autonomy in the operation of hospitals and the development of private medical practices.

Table 2. Mongolia: Social Indicators

	1992	1993	1994	1995	1996
Enrollment rate in primary and secondary education (percent of school-age children)	79.8	76.9	81.4	86.1	n.a.
Male	75.1	71.4	75.6	81.3	n.a.
Female	84.6	82.5	87.2	90.9	n.a.
Life expectancy at birth (years)	63.6	n.a.	64.5	n.a.	n.a.
Infant mortality rate (per thousand)	60	61	48	44	40
Population below the poverty line (percent)	n.a.	n.a.	n.a.	36	n.a.

Sources: The Ministry of Finance; the Asian Development Bank; and the World Bank.

were affected by lower receipts from privatization as attempts at sales failed because of excessively high minimum prices.

Expenditure

12. In contrast to the fall in revenues, total expenditures remained at about 40 percent of GDP, with a small increase in current expenditures offset by a decline in capital expenditure. Most of the increase in current expenditures was due to the civil service wage bill which increased by 0.7 percentage points over 1995 (and 1½ percentage points from 1992–94) to almost 7 percent of GDP, reflecting the large 1995 wage increase (Table 18). Although the number of government positions was reduced and the number of ministries was cut from 14 to 9, there was no reduction in staff levels because many functions were transferred between ministries and new implementation agencies were created outside the ministerial structure. At end 1996, to limit the further increase in the wage bill, the allocation of wages for vacant positions was withheld, and no wage increase was given in 1996 to offset the effects of continued high inflation. Despite attempts to cut current expenditures at the end of the year, domestic arrears of about 0.7 percent of GDP were accumulated by local governments, mainly related to purchases of goods and services.

13. The weakening economy increased the demand for social welfare. In 1996, expenditure on social security and assistance transfers increased both in relation to GDP, (0.3 percentage points to 5 percent of GDP) and as a proportion of current expenditure (1 percentage point, to almost 12 percent).⁶ Social security expenditures increased because of sharply higher pension rates paid to post-1995 retirees under the 1994 Social Insurance Law. Regarding social assistance, which provides benefits and allowances for disabilities, pregnancy, large families, and child care, the number of recipients increased by 24 percent, to an equivalent of 15 percent of the population.⁷ This large increase was mainly related to a sharp jump in the recipients of the benefit for mothers with large families (Table 23).

14. Budgetary support for enterprises increased because of the delay in price adjustments. As noted earlier, prices for the main fuel and energy products remained largely unchanged in nominal terms between early 1995 and September 1996. This imposed a mounting financial burden on the enterprises, much of which was transferred to the budget. While current subsidies to enterprises fell close to zero in 1996 with only small subsidies for urban public transport and energy, other forms of enterprise support increased sharply. Thus total fiscal support for enterprises increased from just over 3 percent in 1995 of GDP to 3½ percent in

⁶The two categories of social benefits are: social security (sometimes termed social insurance), which is based on a contributory scheme for those with formal employment, and social assistance, which is noncontributory and covers those who are outside the social security system with a basic level of benefits.

⁷Some benefit recipients obtain benefits from other categories.

1996 (Table 27). The increased support for the Energy Authority, in conjunction with financing from the AsDB, was used to begin refurbishing the generating plants. This enabled them to function without a major disruption to heat and electricity supply in the winter of 1996/97. Another large component of this support was a loan of \$10 million extended to the Oil Import Concern in late 1996, to build up stockpiles for the winter. This loan was repaid by April 1997.

B. The 1997 Budget

Overview

15. The 1997 budget aims at setting the stage for rapid private sector development with the launching of a major tax reform. It was approved by Parliament in early July 1997 and reflects many aspects of the government's reform program that have been put in place in the preceding months.⁸ Although the tax cuts and the bank restructuring exercise are expected to strengthen growth prospects and the medium-term fiscal position, the short-term impact will be to reduce the current surplus by 3½ percentage points to about 1½ percent of GDP. Additional privatization revenue and cuts in capital expenditures will limit the increase in the deficit to 1½ percentage points, to 10½ percent of GDP. Concessional foreign financing in support of the government's reform program will enable the banking system to be repaid 1½ percent of GDP, about the same nominal amount used in 1996.

Revenue

16. Revenue developments in 1997 are dominated by the major tax reform to improve the incentives for savings and investment. The tax revenue ratio is expected to decline from 22½ percent in 1996 to 20 percent of GDP in 1997 with the April tax package (Box 2) contributing to about half of this decline. In addition to the elimination of tariffs (except for those on alcoholic spirits), income taxes were also significantly reduced. The number of corporate tax rates was reduced from four to two, with a reduction in the rate for almost all payers, except the 75 largest payers, who retain the 40 percent rate for 1997. To strengthen the capital base of banks, provisions for doubtful debts were made a deductible expense. The number of personal income tax rates was reduced and income from the interest on bank deposits was made exempt from personal income taxes. This exemption is designed to make bank deposits more attractive and to avoid the taxation of the large inflation component of nominal interest rates. Royalty rates applied to minerals were reduced and unified at 2.5 percent from the previous 1.5-12.5 percent range, in order to encourage foreign investment in the sector.

⁸The original 1997 budget was passed in December 1996. Since the government was still formulating its reform strategy, the original budget was based on the then existing laws. Subsequently, the social insurance, state property, and tax related laws were passed, warranting a revision to the budget.

Box 2: Revenue Measures in the 1997 Budget	
	Impact on revenue in 1997 1/
	(Percent of GDP)
Revenue Measures	-1.1
1. Customs duties	-1.7
- Elimination of all custom duties, except 15 percent on alcoholic spirits.	
2. Corporate income tax	0.0
a. Reduction in tax rates from four (15, 25, 35, and 40 percent) to two (15 and 40 percent). The rates will be unified at 30 percent in 1998.	
b. Simplification of the depreciation system with a system of four asset categories subject to a single rate of depreciation on a straight line basis.	
c. Elimination of the deductibility of investment expenditures from income by private enterprises for purposes of production and employment.	
d. Broadening the base by taxing royalties, and income from foreign exchange transactions, and by disallowing the deductibility of non-business and fringe benefit-related expenses.	
e. Introduction of deductions for social security contributions. Introduction of deductions loan loss provisions of banks.	
3. Personal income tax	-0.2
a. Reduction in tax rates from five (2, 5, 15, 27 and 40 percent) to three (10, 20 and 40 percent).	
b. Replacement of the exemption threshold with a tax credit.	
c. Broadening of the base by taxing fringe benefits (e.g. car, fuel, and meal allowances).	
d. Introduction of exemption of interest income on bank deposits and dividends on stocks, through end-2000.	
e. Increase in presumptive tax (licence fees) on service sector by five times.	
4. Sales tax	0.2
a. Broadening of the base by including selected enterprises in the food, construction, and communication sectors (about 300 enterprises).	
b. Elimination of the annual turnover threshold (Tugrik 5 million).	
5. Excise on passenger vehicles	0.2
-Introduction of excise, on imported passenger vehicles ranging from \$500-\$6000 according to the cylinder capacity and age of vehicle.	
6. Excise on petroleum, spirits and wine	0.6
- Conversion of specific rates from local currency denominated rates to U.S. dollar denominated rates and two-fold increase.	
7. Other	-0.1
a. Increase in stamp tax and gun tax by five times and ten times respectively.	
b. Introduction of exploration licence fees and, land usage fees.	
c. Reduction in royalties from the previous discretionary system with rates 1.5-12.5 percent to uniform 2.5 percent, effective July 1, 1997.	
d. Export taxes on raw cashmere and camel wool at Tug 4,000 and Tug 100-200 per kg, respectively, effective July 1, 1997.	
1/ Calculation of revenue effect based on May 1, 1997 implementation and excludes mineral and export taxes.	

17. Almost half the loss from these tax cuts are offset by new revenue measures. The coverage of the domestic sales tax, which had been predominantly levied on manufacturers, is being extended to about 300 additional enterprises, through a broadening of the base to include the food, construction, and communication sectors.⁹ Excises on petroleum products and alcoholic spirits were doubled when they were converted from local currency to foreign currency specific rates and an excise on passenger vehicles was introduced. The rates on smaller taxes, including stamp duties, were raised several fold. Taken together, the new measures are expected to increase revenue in 1997 by about 1 percent of GDP.

18. Nontax revenue will continue to decline in 1997 (as a percent of GDP) due to lower profit distributions from public enterprises. In particular, the Erdenet copper mine is expected to make less profit and to retain a higher proportion as it is faced with increased expenses to upgrade aging equipment and mine lower grade ore. The government-owned banks will also have to rebuild their capital base. To partly reverse this trend, the 1997 budget envisages greater control over other public sector entities with their own revenue sources. The central bank will make a larger transfer to the budget reflecting the additional income from its holding bank restructuring bonds (Chapter IV). The Civil Aviation Authority will pay a larger dividend to the budget in view of the sizeable air navigation fees it has started receiving. The Mongolian Railways and Telecommunication Agency will start to return to the budget fees from the rental of equipment funded by the budget.

19. Privatization revenues are projected to increase sharply in the 1997 budget, to at least Tug 10 billion, 1¼ percent of GDP, reflecting the revitalization of this program.¹⁰ In the first half of the year, receipts have exceeded Tug 5 billion, mainly from the sale of commercial property. The sale of enterprises, which has been proceeding, albeit relatively slowly, will be facilitated by the recent passage of the revised State Property Law, which clarifies the modalities of sale and eliminated minimum prices based on book value (see Box 3).

Expenditure

20. Total expenditure and net lending will fall by 2 percentage points to 37½ percent of GDP in 1997. Within this total, bank restructuring and severance payments expenditures amounting to 3 percent of GDP will be absorbed, implying a substantial compression of

⁹Sales tax revenue, especially on imports, will also be improved by the General Taxation Law, passed by Parliament in December 1996 to streamline tax related laws and tax administration. Under this law, tax-related matters can only be regulated by tax laws and many tax exemptions regulated by nontax laws will be abolished over time.

¹⁰This figure is a conservative estimate. The Mongolian budget targets Tug 20 billion, as a signal of the intention that the program will be accelerated. Receipts over Tug 10 billion will be saved for capital expenditure in 1998, with a small part used to clear budgetary arrears.

underlying expenditures. The main economies will be in wages and salaries, goods and services, and net lending to enterprises.

21. The growth of wages and salaries and purchases of goods and services will be limited to substantially below the increase in nominal GDP. The total wage bill is projected to increase by 30 percent. There was a general government wage increase of 20–25 percent in May 1997, the first since 1995. In lieu of an additional wage increase, the work week was shortened to five days for teachers, but remains 5½ days for other civil servants. Over the medium-term, public administration reform is intended to develop systems to improve the efficiency of the civil service. Expenditures on goods and services are budgeted to increase by only 5 percent. The increased cost of utilities will be offset by savings in several areas, including delaying the refurbishing government offices and reducing the heating season for government offices.

22. Social security and social assistance expenditures will increase as a proportion of total expenses, and in relation to GDP. Several of the social welfare initiatives that were unfunded in 1996 were codified in the revised Social Welfare Law of January 1997 and funded in the 1997 budget. Expenditures on social security will increase by 36 percent due mainly to increases in pension rates.¹¹ In order to provide a living pension for all recipients, the minimum pension was set at Tug 10,750 per month (75 percent of the minimum level of wages) and thus almost all pensions, except for the very high ones for those retiring after 1995, were increased by 20–43 percent. These large increases mark progress towards implementing the 1996 ruling of the Supreme Court that it was unconstitutional to have different benefit rates for the same class of beneficiary. With the higher post-1995 pension rates unchanged in nominal terms, the gap in the two systems has been partly closed, but adjustments in subsequent years will be required to comply with the ruling. The social security fund expenditures will also be increased by the commencement of the payment of unemployment benefits. These benefits were introduced in 1995, and persons becoming unemployed are entitled to benefits provided they have contributed to the scheme for at least two years.¹²

23. About 100,000 pensioners who were retired at relatively early ages under the 1991 reforms were removed from the social security fund at the start of 1997. These persons include some relatively young retirees from hazardous professions, such as the military, and mothers with large families. This change was made to improve the financial condition of the social security fund. Most were transferred to social assistance, which is entirely funded from general revenue, and the benefit rate is not covered by the above guidelines on pension rates.

¹¹This calculation excludes Tug 3.5 billion of payments to early age pensioners who were paid out of the pension fund in 1996 but who will be paid from the social assistance fund in 1997.

¹²The benefit rate is 45–70 percent of the worker's average wage for the past three months and is paid for a maximum of six months.

Benefits were terminated for about 27,000 of these early age pensioners who have obtained formal employment.

24. Social assistance payments are projected to increase to 1.7 percent of GDP in 1997 (0.7 percentage points excluding the transfer of early age pensioners.) Social assistance is the main component of the government funded social safety net to protect the very poor, and the budget allows for large increases in the number of recipients and benefit rates.

25. Two other expenses are contributing to the large increase in current expenditures in 1997; the clearance of domestic arrears and interest payments. The clearance of arrears accumulated by the local governments (Tug 3 billion, of an outstanding stock of Tug 3.7 billion) will be a priority in 1997. It is intended that improved expenditure control systems through the development of a treasury system will prevent new arrears from being incurred. In addition, interest expenditures of about Tug 18 billion on the stock of Tug 44 billion of bank restructuring bonds (see Chapter IV).

26. Capital expenditure is budgeted to decline from 15.3 percent of GDP to 14 percent. The savings will come from domestically financed projects that are either no longer necessary (e.g. construction of a new customs building) or that will be undertaken by the private sector (e.g., the geological survey). Net lending will be scaled back by one sixth to 0.2 percent of GDP in line with the public enterprise restructuring program aimed at hardening budget constraints of enterprises. The Oil Import Concern repaid the \$10 million by April 1997 borrowed in late 1996 for petroleum stocks. Further modest lending is included for the Energy Authority (Central Energy System) for repairs to the Ulaanbataar heating system during the summer. As the system moves to operational cost recovery, it is expected that these operational costs would be recouped. Two large state-owned enterprises, which have defaulted on external loans are being restructured under a pilot program supported by the World Bank. As part of this program, they will be cut off from bank borrowing and thus will have to temporarily borrow working capital from the government. The pilot program envisages a review of their operations, and restructuring costs, mainly severance pay for retrenched workers, will be borne by the government.

Box 3. Mongolia: Privatization Revitalized

Although privatization has been underway since the early 1990s, the process entered a new, more accelerated phase in 1997 with the government's announcement of a program to complete the privatization of most state-owned assets and enterprises before the end of the decade. The legal framework for privatization has been extensively modified to facilitate achievement of this objective.

1. Previous stages

The first phase of privatization began in 1991, following the removal of most legal restrictions on private sector activities. Under a voucher-based scheme, assets in some 4,500 enterprises, accounting for 44 percent of the state's total property were privatized, virtually free of charge, over the following four years. A cash privatization program was started in mid-1995, when the State Privatization Commission (later to become the State Property Committee) identified more than 400 public enterprises as candidates for sale to the private sector, and the stock market initiated a secondary market for the shares of over 450 companies. During this same period, state-owned agricultural assets, mainly livestock, were distributed to farmers and herdsman. These initiatives facilitated an increase in the private sector's share in GDP from 5 percent in 1990 to an estimated 64 percent in 1995.

In terms of its impact on production efficiency, the early experience with privatization achieved mixed results. In agriculture, the results were highly favorable, with growing herd sizes and crop production, and a shift in the composition of output to cashmere. However, the experience with large-scale industrial enterprises was less satisfactory. In particular, the very wide dispersion of ownership created by the voucher scheme appears to have inhibited improvements in management, corporate governance, and accountability. Cash privatization encountered problems due to important inadequacies in the legal framework and a shortage of liquid savings. Sales were also frustrated by use of a reservation price, determined by book value, which frequently exceeded market value. Most of the cash sales (Tug 3 billion in 1995 and Tug 2 billion in 1996) were from the sale of assets rather than enterprises. Indeed, with the exception of the sale of 40 percent of Telecommunications Corporation of Mongolia to Korea Telecom, no large cash sales of enterprises were sold.

2. The revised framework

To address the problems encountered in the past and facilitate the swift completion of the transition to a market economy, the government passed new Law on State and Local Property in July 1997.

- The scope of the scheme is comprehensive, and the pace of sales will be rapid. Virtually all public enterprises and government-owned commercial assets will be available for purchase, with the exception of a negative list of 40 to 50 assets prepared by parliament.¹ The government expects to complete the process by the end of the decade.
- Emphasis has shifted strongly away from revenue raising considerations. The new scheme abandons minimum prices based on book values, relying instead on auctions to determine a

¹These include mainly those assets deemed vital to the economic and physical security of the country, or of cultural importance, such as the high voltage lines of the Central Energy System, the main telecommunications, sewage, and water lines, and buildings such as Government House.

market-clearing price. Notionally, a minimum price will continue to exist: for listed companies it will be determined by the lowest share price attained over the preceding year, multiplied by the number of shares; for unlisted companies, the minimum will be the net profit attained in 1996, or, if unprofitable, no minimum will apply. If no bid reaches the minimum, the authorities will either liquidate the enterprise if it has no debt; or give it to its creditors in a debt-equity swap.

- To encourage the concentration of ownership, the price per share of a bid will be increased by a factor related to the proportion of a company's shares in the bid.
- To help address the shortage of domestic savings, foreign investment is being actively promoted, and national treatment is provided to foreigners bidding for larger enterprises (over 100 employees).²

Privatization activity has already picked up sharply. During the first half of 1997, sales amounted to Tug 5.5 billion. In addition to a large volume of government assets, sales have included a large bakery and convention center. Among the enterprises to be offered in the second half of 1997 are the country's largest cashmere factory (with over 1,300 employees), a hotel, cinemas, an automobile dealership, and a trading company.

3. Housing privatization

Housing privatization is proceeding separately from privatization of other state-owned assets. In early 1997, the Law on Housing Privatization was enacted, which provided for the transfer of state-owned apartments to their tenants basically free of charge. The transfers are under the jurisdiction of the local authorities and are already underway. At the same time a Condominium Law was passed permitting the formation of owners' associations to look after the maintenance of individual buildings. Once ownership is transferred from the government, no restrictions will be imposed on their owners' right of resale; and the apartment may be used as collateral for bank loans, putting bankable collateral in the hands of a wide section of the population for the first time. A secondary market is already developing. The measure primarily affects Ulaanbaatar, where approximately 80,000 units will be privatized, but will also have a significant impact in other urban centers such as Erdenet and Darkhan.

4. Land use

Mongolia has no tradition of private land ownership, reflecting the traditional needs of the nomadic livestock sector, as well as the socialist policies of the more recent past. In moving to a market economy, the government has opted for a limited program of auctioning the rights to use and develop land in the urban centers for a period of 60 years. The first auctions took place in Ulaanbaatar in late May 1997 when three small parcels of land were auctioned. Interest was high with a final price per square meter determined at about Tug 100,000, over 100 times the opening bid. Policies for agricultural land privatization are being formulated.

²For social reasons, foreign investors in enterprises with less than 100 employees will have to offer a premium over domestic bidders; 50 percent for enterprises with fewer than 50 employees, and 20 percent for enterprises with 51-100 employees.

III. MONETARY DEVELOPMENTS¹³

A. Developments in 1996

27. Monetary developments in 1996 were dominated by extensive central bank credit to the weakening banking sector and to the government to finance a higher fiscal deficit. In particular, the progressive loss of confidence in the banking sector led to a drain on bank deposits and the policy of forbearance to the weak banks was supported by ready access to central bank credit. Moreover, the reduction of interest rates, especially late in 1996 when inflation and the budget deficit were rising, contributed to the withdrawals of deposits and the depreciation of the exchange rate.

28. Continuing the trend of recent years, the velocity of money increased as broad money growth slowed to 26 percent in 1996 (Table 28, Figure 5) due to weakening confidence in the banking system. Reflecting the loss of confidence, the share of time and savings deposits declined sharply from 38 percent to 27 percent, while the share of currency in circulation rose from 25 percent to 33 percent. The increase in the share of demand deposits reflected much higher public enterprise deposits. Meanwhile, domestic credit increased by 63 percent, due to the large increase in financing of the government by the Bank of Mongolia (BOM), while credit to the rest of the economy increased by 23 percent.

Figure 5: Money and Credit, 1991-96

¹³The monetary accounts for December 1996 have been adjusted for the effects of bank restructuring and provide an adjusted base from which to analyze developments in 1997. Thus the monetary accounts for December are presented both before and after bank restructuring operations initiated in mid-December (Tables 28 through 32). At the level of the monetary survey, the main adjustments are as follows: (i) net credit to government is adjusted upward by Tug 54 billion, reflecting restructuring bonds issued to the two new banks, bonds issued to the other three large banks for inherited and directed loans, amounts due by government, and the write-down of the government's deposits; (ii) credit to nonbanks is reduced by Tug 41 billion, reflecting the substitution of government bonds for the nonperforming loans of the large banks; (iii) broad money is reduced by Tug 3.3 billion, reflecting the loss of non-government deposits; and (iv) other items net are adjusted downward by Tug 14 billion on account of all other miscellaneous adjustments.

29. The growth of reserve money (36 percent) was entirely in the form of currency in circulation, while commercial bank reserves at the BOM declined. The growth in reserve money was due to the very large increase in domestic credit of the BOM (82 percent of the reserve money stock at the beginning of the year), following substantial increases in central bank net credit to government and to commercial banks. Net official international reserves of the BOM declined by \$13 million to \$55 million, reflecting the government's drawdown of deposits from the Asian Development Bank's Agricultural Sector Credit disbursed in late 1995.

30. Three factors underlay this growth in central bank credit. First, as mentioned above, net credit to government surged as the worsening fiscal position was compounded by a decline in foreign financing. In particular, central bank net credit to government, which was modestly negative at end-1995, jumped to Tug 14.5 billion¹⁴ at end-1996 (Table 29). Second, BOM net credit to banks doubled to Tug 15 billion, in response to the growing liquidity problems of four of the five largest commercial banks. Much of this credit was provided on concessional terms outside the regular central bank lending facilities despite the fact that some of the banks persistently failed to meet minimum reserve requirements or to abide by their allocated credit ceilings.¹⁵ Finally, in October, Tug 5.5 billion in BOM-guaranteed foreign credits extended to seven public enterprises in 1994 and 1995 were reclassified from other items net to credit to nonbanks, reflecting local currency amounts owed to the BOM after these enterprises defaulted on their loans.

31. Reflecting the liquidity problems faced by most large banks, central bank bills played a minor role in monetary management during the year. While the yield on central bank bills remained positive in real terms (averaging 4.7 percent per month; Table 35, Chart 6), amounts sold were fairly small, and were more than offset by the provision of central bank credit. Although central bank bills were notionally sold at auction, only one large bank was able to bid for the bills. In this environment the yield was reduced almost every month from the start of the year to under 3 percent

Figure 6: Interest Rate and Inflation, 1995-97

¹⁴The discussion of monetary aggregates during 1996 excludes the adjustments made to the end-of-period data to reflect the impact of bank restructuring. These adjustments are described below.

¹⁵For much of 1996, 7 out of 14 banks had reserve deficiencies and only one of the five large banks continually met reserve requirements; while two large banks persistently violated monthly credit ceilings.

per month by September. Despite a small increase in the yield in the last quarter (much less than the pick up in inflation), by year-end, sales of central bank bills had fallen to zero. In the absence of attractive returns on central bank bills and with easy access to cheap credit from the BOM, commercial banks had little incentive to mobilize deposits. Indeed, following the lifting of minimum interest rates on time and savings deposits of commercial banks on October 1, 1996, some banks reduced their deposit rates.

B. Developments in 1997

32. The initiation of the bank restructuring strategy in December 1996 (discussed in Chapter IV) provided the foundation for targeting monetary policy on macroeconomic stabilization and away from the support of banks. With uncertainty over the path of velocity during bank restructuring, the BOM's monetary policy focused increasingly on real interest rates. Thus in March 1997, following a brief period during which the exchange rate depreciated sharply, the BOM increased the yield on its central bank bills and declared that it would supply the total amount of bills demanded by banks at the pre-announced rate. By late June, the interest rate, which is set at a margin over the three-month moving average inflation rate, was 4.75 percent and the amount outstanding reached Tug 7 billion, as the liquidity of banks improved.¹⁶

33. The BOM also tightened access to its credit. The refinance facility was confined to those banks meeting minimum reserve requirements and other prudential ratios—no banks used this facility in the June quarter.¹⁷ Separately, the BOM continued to provide some liquidity to the new banks during the initial months following bank restructuring by discounting their holdings of bonds. However, by April the new banks had become more established and the BOM sharply curtailed this form of liquidity creation. In response, one of the new banks recently increased its deposit interest rates in a bid to attract new deposits. With this tightening of monetary policy the rapid depreciation of the tugrik was reversed in late March and the exchange rate has remained stable through mid-July (see Section V.E for a further discussion).

¹⁶In addition, during the first quarter, in the process of applying reserve requirements to foreign currency deposits the average minimum reserve requirement (against tugrik deposits) was gradually reduced from 17 percent to 14 percent (against tugrik and foreign currency deposits). This change avoided banks having to add to the stock of reserve deposits to comply with the broadening of the base to include foreign currency deposits.

¹⁷Credit ceilings were lifted for banks in compliance with prudential ratios.

IV. BANK RESTRUCTURING AND REFORM

A. Introduction

34. Weaknesses in several large commercial banks became increasingly apparent during 1996, leading to a flight from tugrik-denominated deposits and a rapid depreciation of the exchange rate. With the banking system facing the risk of collapse, and only being sustained by large amounts of central bank credit, the authorities decided to end the policy of open-ended accommodation and began implementing a comprehensive bank restructuring strategy in late 1996. This led to the closure, in December, of two large insolvent banks, the establishment of two new banks and an asset recovery agency, and programs and timetables to strengthen other large, weak banks. Implementation of the first stage of the strategy averted the risk of collapse. However, a successful transition to a fully-fledged market economy banking system will require further measures to rebuild confidence and establish effective monetary policy transmission mechanisms.

B. Historical Development of the Banking System

35. Prior to 1990, the financial sector operated under a monobank system administered by the State Bank, whose primary responsibilities were to issue currency, manage foreign exchange, and provide credit based on the annual production plan of the government. Credit was extended without collateral but access was restricted to the material (production) sector and a few enterprises in the nonmaterial (social and services) sector.

36. New institutions and methods of conducting monetary policy operations were introduced in the early 1990s, with the first round of market reforms. In August 1990, the central and commercial banking functions of the State Bank were formally separated into two new specialized commercial banks; the Bank of Investment and Technological Innovation (BITI) and State Bank International (SBI). BITI was allocated all the large, capital intensive clients of the former State Bank, including the large copper mining company, Erdenet, the petroleum import concern, and the Central Energy System, while SBI was given responsibility for all international financial activities. In May 1991, Parliament passed a Banking Law which established the BOM as an independent central bank, subject to oversight by Parliament, and permitted the operation of commercial banks with private sector participation.¹⁸ By end-1992, the divestiture of all commercial banking operations was complete, and 11 commercial banks were in operation: one solely owned by government, one a joint-venture with a foreign partner, two privately owned, and seven operated as joint-stock companies owned by principal depositors, with majority owners being state enterprises. Although the number of banks subsequently grew to 15 in 1996, the banking system was dominated by five large

¹⁸The BOM assumed all functions related to monetary control, except foreign reserve management functions which continued to be exercised by SBI until April 1993 when they were taken over by the BOM.

institutions, which together accounted for 90 percent of total deposits and 80 percent of total loans of the banking system.^{19 20}

C. Seeds of a Crisis

37. Despite the splitting of central and commercial banking functions, the new banking system remained poorly suited to serve the needs of a market economy, and the financial performance of the commercial banks was weak. As a result, the share of recorded nonperforming loans rose from 2.5 percent at end-1991 to over 50 percent at end-1996, equivalent to over 7 percent of GDP. Despite a decision in November 1993 to gradually raise commercial banks' minimum capital base from Tug 50 million to Tug 400 million by January, 1995, the capital of most commercial banks was insufficient to cover potential losses. Several factors contributed to the weak performance.

38. First, the portfolios of five large banks were burdened with large nonperforming loans inherited from the monobank system and/or resulting from instructions by government or Parliament to provide credits to priority sectors of the economy.²¹ About one third of total nonperforming assets of the banking system consisted of such inherited and directed credits. Recognizing the need to lift this burden, the government decided in early 1994 to terminate all directed credits, and in 1995, agreed to assume full responsibility for the nonperforming loans inherited from the monobank system.

39. Second, managers of the new banks were not trained to run their banks as profit-oriented institutions. In particular, their staffs had little experience with credit appraisal techniques and persistently extended credit to nonviable enterprises, both public and private. In addition, accountability to the banks' general shareholders was weak, and in some cases, large enterprise customers also owned controlling interests in the banks.

¹⁹Ardyn Bank alone accounted for over half of total assets. In addition to Ardyn Bank and BITI, the other large banks were Agricultural Bank, Insurance Bank, and Trade and Development Bank (TDB). The latter, formerly SBI, was renamed in 1994.

²⁰During 1994, the BOM forced the mergers of two troubled banks; Cooperative Bank was merged with Ardyn Bank and Selenge Bank was merged with BITI. Both Ardyn and BITI received subsidized loans from BOM to cover the cost of the mergers.

²¹Inherited loans were defined as loans transferred from the previous monobank system to new commercial banks established in 1991 plus accrued interest arrears between the transfer date and December 31, 1993. Directed loans were defined as loans granted by banks on the basis of a Cabinet decision, or extended under government decrees, resolutions, or letters prior to June 30, 1994. Interest in arrears was calculated until September 1, 1994.

40. Third, weak banking supervision allowed the problems to fester. Although banks were required to meet minimum reserve requirements and other prudential ratios, the central bank did not have the necessary manpower, technical expertise, or legal powers to enforce regulations and levy penalties to effectively supervise the banking system. As a result of weak banking practices and lack of effective BOM supervision, minimum reserve requirements and other prudential ratios were repeatedly breached.

41. Finally, the central bank continued to provide commercial banks, particularly those that breached minimum reserve requirements and other prudential ratios, with easy access to its lending facilities, frequently on concessional terms. As a result, commercial banks had little incentive to reduce administrative costs and mobilize funds by attracting deposits. Low interest rates on central bank bills, particularly in relation to minimum deposit rates, further encouraged unsound lending.

D. Impact and Initial Policy Response

42. The worsening state of the commercial banks was partially masked by positive growth in 1994 and high international copper prices in 1995, which temporarily boosted incomes and supplied the banking system with extra liquidity. With the subsequent reversal of copper prices in 1996, and the eventual depletion of banks' reserves, the underlying weaknesses of the banking system became more apparent. In particular, commercial banks became increasingly illiquid as measured by their holdings of cash and reserves at the BOM, and holdings of central bank bills, which together declined by more than half during the first half of 1996 to just over Tug 7 billion (5 percent of total commercial bank assets).²² In early 1996, confidence in the banking system waned and a process of financial disintermediation began as some banks refused to accept new deposits, preferring instead cheaper credit from the BOM, which increased by about Tug 5 billion.

43. The BOM's initial response was to close two small insolvent banks. However, the BOM did not address the problems in two other larger banks, which were also insolvent, and the loss of confidence in the banking system continued. In September 1996, the BOM appointed a conservator for one of the large insolvent banks, but this move was successfully challenged in the courts. The conservator was withdrawn and control of the bank was restored to the former owners.

44. In the last quarter of 1996, the authorities ended the policy of providing central bank credit to banks outside the regular facilities. Having run down their reserves at the central

²²The average minimum reserve requirement (against tugrik deposits) was gradually reduced from 17 percent to 14 percent (against tugrik and foreign currency deposits) between end-1996 and March 1997. For the banking sector as a whole the reduction in the reserve ratio compensated for the broadening of the base and avoided the placement of additional reserve deposits.

bank, the liquidity of the banks completely dried up. Meanwhile, disintermediation gained momentum. Time and savings deposits declined by Tug 3 billion to Tug 35 billion, currency in circulation rose by Tug 11 billion to Tug 42 billion, and the official exchange rate depreciated by 30 percent as the conversion of local currency into foreign exchange accelerated.

E. Objectives and Initial Implementation

45. By year-end, it became apparent that the situation was untenable, and the government elaborated a comprehensive bank restructuring strategy guided by three principle objectives. The first was to avoid contagion effects on good banks and the eruption of a full-scale systemic banking crisis. The second was to begin restoring confidence in the banking system by developing appropriate market disciplines and sanctions on bank owners, managers, depositors, and borrowers, to ensure that restructuring of banks would be a one-time operation to prevent any additional budgetary burden in the future. Finally, the restructuring operation was to enable the effective transmission of monetary policy from the BOM to the commercial banks.²³

- In November 1996, Parliament approved amendments to the Central Bank Law and the Banking Law to effectively regulate and supervise the operations of commercial banks. Among other provisions, the new law gave the BOM legal authority to appoint conservators and/or close insolvent banks, and, in such cases, established specific priorities in meeting creditor claims of depositors.
- With the legal framework in place, on December 13, 1996, the authorities closed and began the liquidation of two deeply insolvent banks (Ardyn and Insurance), which together accounted for over 60 percent of banking system deposits. Both banks had sufficient resources to cover household deposits, which have the highest priority, and the value of the banks' remaining assets was paid to nonhousehold depositors (enterprises and government), who received 80 percent at one bank and 50 percent at the other. With all assets allocated to depositors, the BOM lost claims on the two banks amounting to Tug 7 billion (14 percent of assets), which were written-off against BOM income in 1996.
- Two new banks—Savings Bank (SB) and Reconstruction Bank (RB)—were created to provide some continuity of services to depositors and good borrowers. Household

²³In addition to technical assistance from the Fund, the AsDB, and the World Bank, the strategy is being supported financially by the AsDB, in the form of a \$35 million Financial Sector Program Loan from the AsDB; the first of two tranches was disbursed in January 1997; and the World Bank, through a \$10 million Banking and Enterprise Sector Adjustment Credit (BESAC), and a \$2 million Banking, Enterprise, and Legal Technical Assistance Credit (BELTAC); both to be disbursed in early August.

deposits and Tug 10.9 billion in restructuring bonds were transferred to SB, which can accept only household deposits and is allowed to invest only in cash, government and central bank securities, and fixed assets. The written-down deposits of enterprises, along with the performing loans of the liquidated banks and Tug 6.6 billion in restructuring bonds, were transferred to RB. The Mongolian Asset Recovery Agency (MARA) was established under the Ministry of Finance with the nonperforming loans of the two liquidated banks.²⁴

- The government substituted Tug 7.8 billion of nonperforming inherited and directed loans in the balance sheets of the three other large commercial banks (Agricultural Bank, BITI, and TDB) with interest-bearing government bonds.²⁵
- Two other large weak banks signed Memoranda of Understanding (MOUs) with the Bank of Mongolia, which contain a detailed three-year timetable beginning in early 1997 for the implementation of corrective measures, including changes in banking practices, new injections of capital, raising reserve and capital adequacy ratios, and the temporary nonpayment of dividends.
- A Credit Information Bureau was set up in the BOM to register defaulting borrowers in order to assist commercial banks to refrain from extending any fresh loans to defaulters.

F. The Continuing Program

46. While implementation of the bank restructuring strategy proved successful in averting a full-scale crisis, confidence in the banking system remained fragile and inflation remained high. As a result, in the first half of 1997, the authorities took a number of additional steps to limit central bank credit to commercial banks and enhance bank supervision; and develop banking skills in individual banks. Complementary measures are scheduled to be implemented in 1997, including enhanced reporting and supervision, greater loan recovery efforts, and further legal reforms.

- The BOM has ceased providing credit to commercial banks other than fully collateralized loans under the regular refinancing and rediscounting facilities, and on-lending from multilateral institutions. The BOM has also limited its rediscounting of

²⁴The amount of restructuring bonds issued include Tug 2.2 billion of capital for the two new state-owned banks and MARA.

²⁵Total bonds issued by government was thus Tug 44 billion; Tug 10.9 billion to SB plus Tug 6.6 billion to RB; Tug 21 billion to MARA; Tug 1.6 billion of bonds for loans of the remaining bank are yet to be issued; and Tug 5.5 billion for inherited and directed loans of the other two large banks.

restructuring bonds still held by the two new banks in order to induce them to offer attractive deposit interest rates (which SB has done) and prevent a rapid expansion in lending by RB.

- Banking supervision is being enhanced with technical assistance from the IMF and the Asian Development Bank (AsDB). All commercial banks—including the small ones—are now required to provide the BOM with monthly reports which include details on provisions against bad loans, loans to the ten largest borrowers and shareholders, and foreign currency positions.
- At the level of the commercial banks, while the BOM initially provided the two new banks with liquidity by rediscounting their holdings of government bonds, one bank has since begun to mobilize funds by increasing its deposit rates, and both banks are complying with prudential requirements. The flow of loans to defaulting borrowers has been sharply curtailed and, with technical assistance from the AsDB and World Bank, the authorities are assisting individual commercial banks to further develop their banking skills through on-the-job training in credit appraisal, loan documentation, syndication, monitoring and recovery, and asset-liability management. In addition, loan recovery efforts are being stepped up through the provision of technical assistance to MARA and the development of a debt workout unit in one of the large banks. The debt workout unit is to recover Tug 9 billion in arrears (2 percent of GDP) by restructuring or liquidating several defaulting enterprises.
- MARA's medium-term objective of recouping as much as possible of the government's bank restructuring costs through loan restructuring and recovery is made difficult by the large number of loans, the lack of identifiable collateral, and an inadequate legal structure. Nevertheless, MARA has so far seized over Tug 2 billion in collateral and realized over Tug 1 billion in recoveries (less than 5 percent of nonperforming loans of the two closed banks). Some of the remaining larger loans will require a much more extensive recovery effort.
- Finally, the authorities are planning additional measures during the year. All commercial banks will be required to adopt internationally accepted accounting principles and appropriate loan classification and provisioning norms before end-1997. In addition, under the new Banking Law, all commercial banks are required to have their accounts audited annually. The authorities are considering different options to accelerate loan recovery—especially of the larger loans—including the possibility of contracting commercial banks to conduct recoveries on behalf of MARA. Finally, the authorities are working to strengthen the legal foundation of the banking sector by modernizing legislation in areas such as enforcement of contractual agreements, the collateral regime, bankruptcy and liquidation procedures, and debt recovery.

V. EXTERNAL SECTOR

A. Overview

47. The external position weakened in 1996 mainly as a result of the 37 percent decline in the price of copper, Mongolia's largest export. The current account deficit (excluding official transfers) worsened from 5½ percent of GDP in 1995 to 11 percent (Table 37, Chart 7).²⁶ Official grants and loan disbursements were slightly lower than in 1995 so that the overall balance of payments moved into deficit after a small surplus in the previous year. Consequently gross official international reserves declined by \$17 million to a level of \$98 million, equivalent to 10 weeks of imports, down from over 12 weeks of import cover at end-1995.

Figure 7: External Current Account Balance and Reserves, 1991-96

B. Current Account

48. Exports declined by 13 percent in 1996 to \$423 million. Copper exports declined by almost one third reflecting the large drop in prices, only partially offset by a small increase in production. Noncopper exports increased by 9 percent to \$249 million largely on account of an estimated 20 percent increase in export volume.

49. Copper remains the principal export, although its share in total exports declined to 41 percent in 1996 compared to over 50 percent in 1995 (Table 38). Copper prices declined in 1996 from the unusually high levels in 1995, to a level below their recent (1992-94) average. The growth in noncopper exports in recent years has come mainly from the cashmere sector. Exports of dehaired cashmere increased by over 35 percent in 1996 (following a 50 percent increase in 1995) as domestic processing capacity increased and exports of raw cashmere rebounded following the lifting of the ban on the export of raw cashmere in October 1996.

50. The rapid reorientation of trade away from the countries of the former CMEA continued during 1996 with the share of these countries in total exports declining to just 25 percent in 1996. The decline in 1996 principally reflected a sharp decline in exports of copper to Kazakhstan following the failure by the Kazakh enterprise to make payments for

²⁶ Data on the balance of payments are compiled on the basis of a combination of customs data, survey information, and banking records. While progress has been made in expanding the coverage and timeliness of the available data, weaknesses still remain, particularly in the coverage of the private sector, service sector data, and capital flows. Data for 1996 are preliminary.

certain shipments received at end 1995 and in early 1996. Copper exports for processing have increased to other countries, principally Switzerland which in 1996 was the major export market for Mongolia accounting for over 25 percent of total exports. Russia and China were the next most important destinations for exports.

51. Imports increased by 4 percent in value terms in 1996 to \$511 millions due mainly to an increase in the price of imported food and petroleum products (Table 39). Reflecting the continuing disbursements of project loans, imports of equipment increased to one third of total imports. Imports of food, especially wheat, increased by over 80 percent to \$62 million (12 percent of total imports) reflecting a combination of higher domestic demand and higher prices on world markets. The share in total imports of the countries of the former CMEA fell below half for the first time since the dissolution of the CMEA (Table 40). Nevertheless, Russia continued to be the principal source of imports, supplying about one third of total imports in 1996, substantially lower than the half of imports supplied in 1995. The second largest source of imports is now Japan (principally imports of equipment for investment projects), closely followed by China.

52. Available data indicate that the deficit on services amounted to \$21 million in 1996 (Table 41).²⁷ Service sector receipts amounted to \$69 million, almost 50 percent higher than in 1995. A substantial portion of this increase stemmed from a sharp increase in receipts from port services (aviation) as infrastructure improvements in 1996 permitted overflights by foreign airlines and greater use of the airport. Service sector payments amounted to \$87 million, slightly below the 1995 level, with profit/dividend transfers to the Russian partner in the copper joint venture, external interest payments, tourism and passenger fares constituting the major components.

53. Official grants were \$56 million in 1996 comprising a combination of balance of payments support and project assistance (Table 42). The single largest donor was Japan. In addition, \$7 million of technical assistance was provided on a grant basis by a combination of bilateral and multilateral sources. Private transfers registered a small surplus as receipts of external assistance by NGOs were only partially offset by outward remittances from Russian workers at the copper joint venture.

C. Capital Account and External Debt

54. Disbursements of official loans were \$84 million in 1996, slightly lower than the \$90 million disbursed in 1995 (Table 43). Reflecting the phasing of donors disbursement

²⁷Data sources in the services sector have changed since 1995 making comparisons with previous years difficult. The coverage of transactions passing through the banking sector has increased with all banks now providing this information rather than just one as was previously the case. New sources of data for certain service sector transactions, particularly travel, are being developed but these were not fully completed in 1996.

schedules, disbursements of balance of payments support loans were almost zero. The largest official creditors continued to be Japan, the Asian Development Bank and the World Bank. Scheduled amortization (excluding to the Fund) was \$37 million, slightly lower than in 1995 and principally comprised payments to commercial creditors on government guaranteed loans to state enterprises. Amortization on official loans remained low due to the highly concessional nature of much of the lending. Net short-term capital outflows are estimated at \$42 million in 1996, about the same level as in 1995, reflecting the decline in unrepatriated receipts from copper exports that were offset by increased outflows from arrears from the Kazakh copper processing plant and an increase in the net foreign assets of commercial banks.

55. At end-March 1997, 567 business entities with foreign investment were registered at the Foreign Investment Agency. Chinese and Russian entities represented almost two thirds of total registrations, many of which are small ventures. In order to help attract more large-scale investment the government, with the assistance of the World Bank, held a conference in June 1997 for investors in the oil and mineral sectors, attended by representatives from a number of major mining companies.

56. External debt outstanding in convertible currencies (including Fund credit) was \$556 million (61 percent of GDP) at end 1996 which is somewhat higher than in 1995 but below the levels of 1993 and 1994 (Table 46). The net present value of the stock of convertible currency external debt is estimated at \$307 million implying a grant element of some 45 percent stemming from the highly concessional terms that have been provided by the majority of official creditors. External debt service declined slightly in 1996 to \$50 million or 10 percent of exports of goods and services. External payments arrears were eliminated in 1994 but new arrears emerged during 1995 and 1996 to the governments of Finland and Russia, and two commercial creditors.

57. Negotiations are continuing on unresolved debts to former CMEA countries, TR 10.5 billion at end 1996 (Table 47). The amounts concerned relate to the period prior to the dissolution of the CMEA. Balances with Bulgaria, China, Germany, Hungary, and the balance to Russia from transactions subsequent to the dissolution of the Soviet Union have already been formally converted into intergovernment debts in convertible currency on concessional terms and are being serviced over 3-5 years. However, a large balance remains, principally to Russia though smaller claims are held by the former Czechoslovakia, Poland, and Romania.

D. Exchange and Trade System

58. The exchange rate mechanism continued to be market determined. However ongoing problems in the banking sector have caused the exchange rate in the three markets (official, interbank, and street) to show differences in day to day movements. The street market is the most current indicator of the exchange rate and comprises a large number of small traders who handle purely cash transactions. The interbank market, in principle, holds daily trading sessions at which all licensed banks participate both on their own behalf as well as on behalf of their clients. However, due to the lack of liquidity and creditworthiness of the banks, the volume in this market is very low and is used almost exclusively for noncash transactions. In addition, certain large enterprises have at times negotiated transactions between themselves, effectively by-passing the formal interbank market.

59. The official exchange rate is quoted by the BOM and is used for all government transactions. The BOM calculates this from the rate that emerges in the interbank market. As the trading volume on the interbank market fell due to the weaknesses in the banking system, beginning September 9, 1996 the BOM adjusted the official rate on a weekly rather than daily basis. This was intended to avoid large daily swings in the official exchange rate. The move to weekly adjustments gives rise to a multiple currency practice as the spread between the official exchange rate and the interbank market rate has at times exceeded 2 percent.

60. The tugrik is fully convertible for current transactions and Mongolia accepted the obligations of Article VIII, Section 2, 3, and 4 of the Fund's Articles of Agreement in February 1996. The capital account is essentially free of restrictions. One remaining distortion—differential reserve requirements on foreign currency deposits—was eliminated during 1996 as reserve requirements on both tugrik and foreign currency deposits were unified at 14 percent.

61. Mongolia's already liberal external trade regime was further liberalized in early 1997 with the elimination of all customs duties, apart from those on alcoholic spirits. Licensing/registration requirements are confined to a very small number of goods, principally for security reasons. A small number of export taxes remain—on nonferrous and scrap metals, and from June 1997 on raw cashmere and raw camel wool. Mongolia became a full member of the WTO in January 1997.

E. Exchange Rate Developments

62. The short-term movements in the exchange rate have been heavily influenced by the stance of monetary policy and the problems in the banks. After opening the year at Tug 475 per US dollar, the tugrik depreciated by 14 percent in the first seven months of 1996, slightly slower than the increase in the CPI (Table 48, Chart 8). However, financial markets became unsettled with the closure of two small banks in August because of concerns about the

soundness of the banking system and uncertainty over the government's response. From mid-August, the tugrik depreciated much more rapidly, declining by a further 20 percent over the next three months. Exchange market conditions became more settled in December as the bank closings in the middle of the month temporarily halted the outflow of deposits, and the exchange rate was relatively stable at about Tug 690 per US dollar.

Figure 8: Exchange Rates, 1995-97

63. The depreciation of the exchange rate resumed in the first three months of 1997 as the bank restructuring temporarily improved the liquidity of the banks. As the new banks started operations, withdrawals of bank deposits continued as lower interest rates on central bank bills did not provide an incentive for banks to attract deposits. Moreover, after the bank restructuring operation the new banks temporarily had greater access to central bank credit. Under these conditions, the depreciation of the tugrik accelerated and the street market exchange rate fell to under Tug 900 per dollar, in mid-March, 30 percent below the end 1996 rate.

64. The BOM responded to the sharp depreciation by tightening monetary policy and intervening in the market, reversing some of the decline and stabilizing the rate in late March. The intervention in the foreign exchange market was small because the market was very thin at the time due to uncertainty over policies. The tugrik has remained at about Tug 800 per dollar from late March through mid-July. During the same period, deposits of the banking system increased.

65. In 1996, the real effective exchange rate appreciated by 7 percent (Chart 9) and with the recent stabilization of the nominal exchange rate, there has been a further 5½ percent real effective appreciation in the first five months of 1997. However, it is hard to interpret this rate as an indicator of the appropriate exchange rate because of the rapid changes in Mongolia's economic structure.

Figure 9: Real Effective Exchange Rate, 1994-97

**Table 1. Mongolia: Real Net Material Product and
Real Gross Domestic Product, 1992-96**

(At 1986 constant prices)

	1992	1993	1994	1995	1996 est.
(In millions of tugriks)					
Net material product	5,910	5,506	5,724	6,197	6,237
Industry	2,226	1,990	2,063	2,404	2,375
Agriculture	1,391	1,292	1,353	1,431	1,459
Construction	205	164	185	207	215
Transportation	324	280	286	284	309
Communications	82	85	80	82	89
Distribution and warehousing	1,507	1,515	1,545	1,569	1,586
Other	176	180	212	220	204
Adjustment items:					
Nonmaterial services 1/	1,600	1,463	1,557	1,588	1,623
Depreciation of fixed capital	1,937	1,940	2,261	2,373	2,496
Other 2/	-1,003	-718	-1,164	-1,250	-1,220
Gross domestic product	8,445	8,191	8,378	8,908	9,136
(Annual percentage change)					
Net material product	-15.4	-6.8	4.0	8.3	0.6
Industry	-11.5	-10.6	3.7	16.5	-1.2
Agriculture	-4.0	-7.1	4.7	5.8	2.0
Construction	-46.6	-20.0	12.8	11.9	3.9
Transportation	-18.4	-13.6	2.1	-0.7	8.8
Communications	-22.1	3.7	-5.9	2.5	8.5
Distribution and warehousing	-24.2	0.5	2.0	1.6	1.1
Other	15.4	2.3	17.8	3.8	-7.3
Adjustment items	8.2	6.0	-1.2	2.2	6.9
Gross domestic product	-9.5	-3.0	2.3	6.3	2.6

Sources: Data provided by the State Statistical Office, and the National Development Board; and Fund staff estimates.

1/ Gross output of nonmaterial services.

2/ Includes budgetary subsidies.

**Table 2. Mongolia: Net Material Product and
Gross Domestic Product, 1992-96**

(At current prices; in millions of tugriks)

	1992	1993	1994	1995	1996 est.
Net material product	39,135	147,129	250,934	368,670	446,187
Industry	13,858	49,915	90,832	137,060	166,939
Agriculture	13,777	54,527	96,017	146,313	153,043
Construction	921	2,565	5,949	19,454	28,842
Transportation	1,476	5,031	8,743	9,622	13,260
Communications	397	2,096	2,774	4,343	6,067
Distribution and warehousing	7,615	29,193	39,657	51,312	77,145
Other	1,092	3,802	6,961	566	891
Adjustment items:					
Nonmaterial services 1/	5,644	15,100	28,910	46,303	67,681
Depreciation of fixed capital	4,068	9,640	22,142	35,032	38,535
Other 2/	-1,549	-5,650	-18,723	-20,798	-19,594
Gross domestic product	47,298	166,219	283,263	429,207	532,809

Sources: Data provided by the State Statistical Office, and the Ministry of Finance; and Fund staff estimates.

1/ Gross output of nonmaterial services.

2/ Includes budgetary subsidies.

Table 3. Mongolia: Output of Major Agricultural Products, 1992-96

	1992	1993	1994	1995	1996 est.
(In millions of tugriks at 1986 prices)					
Value of gross output	2,222	2,128	2,291	2,388	2,436
Animal husbandry	1,800	1,715	1,966	2,090	2,196
Crop production	422	413	325	297	240
(In thousands of metric tons, unless otherwise specified)					
Output of main products					
Meat	516	445	421	437	482
Milk (million liters)	308	293	313	344	410
Butter (metric tons)	1,317	712	800	1,200	653
Eggs (millions)	18	10	3.6	3.5	4.2
Wool	28	28	26	27	28
Cereals	494	479	331	261	220
Potatoes	78	60	54	52	46
Other vegetables	16	23	23	27	24
(In millions of heads)					
Livestock					
Sheep	25.7	25.2	26.8	28.6	29.3
Goats	14.6	13.8	13.8	13.7	13.5
Cattle	5.6	6.1	7.2	8.5	9.1
Horses	2.8	2.7	3.0	3.3	3.5
Camels	2.2	2.2	2.4	2.7	2.8
	0.4	0.4	0.4	0.4	0.4
(Annual percentage change)					
Value of gross output	-5.0	-4.2	7.7	4.2	2.0
Animal husbandry	-2.1	-4.7	14.6	6.3	5.1
Crop production	-20.9	-2.1	-21.3	-8.3	-19.5
Output of main products					
Meat	-6.4	-13.8	-5.4	3.8	10.3
Milk	0.3	-4.9	6.8	9.9	19.2
Butter	-57.4	-45.9	12.4	50.0	-45.6
Eggs	-27.5	-44.4	-64.0	-2.8	20.0
Wool	-1.7	-0.1	-7.1	3.8	3.7
Cereals	-17.0	-3.0	-30.9	-21.1	-15.7
Potatoes	-18.7	-23.1	-10.0	-3.7	-11.5
Other vegetables	-27.7	43.8	0.3	17.4	-11.1
(In percent of total heads)					
Memorandum item:					
Privately owned livestock	70.4	89.6	91.5	92.6	93.5

Sources: Data provided by the State Statistical Office, and the Ministry of Finance.

Table 4. Mongolia: Output of Basic Industrial and Mining Products, 1992-96

	1992	1993	1994	1995	1996 est.
(In thousands of metric tons, unless otherwise specified)					
Electricity (million kilowatt hours)	2,929	2,582	2,715	2,628	2,047
Coal	6,247	5,617	5,158	5,019	5,111
Fluorspar	622	537	383	527	565
Copper concentrate	300	334	343	346	351
Gold concentrate (kilograms)	624	1,117	1,789	4,504	5,242
Bricks (millions)	54	33	34	22	25
Cement	133	82	86	109	106
Lime	68	51	66	51	55
Sawn timber (thousand of cubic meters)	125	85	50	61	70
Scoured wool	7	4	2	1	1
Felt (thousand meters)	495	241	108	77	96
Woolen fabrics (thousand meters)	706	290	77	71	45
Coats (thousands)	9	1	1	0	0
Suits (thousands)	12	3	3	1	1
Leather footwear (thousand pairs)	2,245	1,031	407	246	87
Leather coats (thousands)	40	9	35	13	5
Sheepskin coats (thousands)	99	87	57	17	15
Meat (excluding pork)	25	17	11	11	9
Sausages	3,360	1,245	1,065	639	674
Flour	182	176	127	159	92
Bakery goods	61	46	34	37	30
Confectionery	17	12	11	11	11
Milk and dairy products (liters)	28	13	5	2	2
Toilet soap	394	171	93	263	268
Household soap	373	180	473	290	267
Carpets (thousands of square meters)	1,037	1,000	682	596	666
Processed metal	0	0	10	16	19
(Annual percentage change)					
Electricity (million kilowatt hours)	-9.3	-11.8	5.2	-3.2	-22.1
Coal	-14.5	-10.1	-8.2	-2.7	1.8
Fluorspar	17.6	-13.7	-28.6	37.6	7.2
Copper concentrate	16.6	11.4	2.7	0.9	1.4
Gold concentrate (kilograms)	25.0	79.0	60.2	151.8	16.4
Bricks (millions)	-50.1	-38.2	0.6	-35.3	13.6
Cement	-41.6	-37.9	4.3	26.7	-2.8
Lime	-11.1	-24.5	29.7	-22.7	7.8
Sawn timber (thousand of cubic meters)	-54.0	-32.1	-40.5	22.0	14.8
Scoured wool	-1.4	-50.7	-40.5	-50.0	0.0
Felt (thousand meters)	-15.2	-51.2	-55.4	-28.7	24.7
Woolen fabrics (thousand meters)	-10.2	-58.9	-73.5	-7.8	-36.6
Coats (thousands)	-83.3	-93.0	-16.7	-70.0	33.3
Suits (thousands)	-61.9	-76.5	-7.4	-66.7	0.0
Leather footwear (thousand pairs)	-43.8	-54.0	-60.5	-39.6	-64.6
Leather coats (thousands)	34.1	-76.6	272.0	-62.9	-61.5
Sheepskin coats (thousands)	-10.9	-12.9	-34.1	-70.2	-11.8
Meat	-49.4	-31.1	-34.3	0.0	-18.2
Sausages	-42.3	-62.9	-14.5	-40.0	5.5
Flour	4.3	-3.3	-27.8	25.2	-42.1
Bakery goods	0.2	-24.5	-26.3	8.8	-18.9
Confectionery	-49.1	-29.4	-10.0	0.0	0.0
Milk and dairy products (liters)	-45.3	-53.1	-62.0	-60.0	0.0
Toilet soap	-26.4	-56.6	-45.5	182.8	1.9
Household soap	-44.8	-51.7	162.8	-38.7	-7.9
Carpets (thousands of square meters)	-25.9	-3.6	-31.8	-12.6	11.7
Processed metal	0.0	0.0	...	60.0	18.8

Sources: Data provided by the State Statistical Office, and the Ministry of Finance; and Fund staff estimates.

Table 5. Mongolia: Composition of Gross Industrial Output, 1992-96

(In percent)

	1992	1993	1994	1995	1996
Total value of gross output	100.0	100.0	100.0	100.0	100.0
Food	25.8	13.4	13.0	14.6	15.4
Leather and shoes	13.8	4.2	3.3	3.1	1.1
Textiles	11.5	5.5	7.0	8.5	9.3
Clothing	1.5	0.9	1.0	0.7	0.7
Energy 1/	14.7	15.7	14.5	13.3	13.4
Fuels	4.3	5.8	5.4	4.5	5.3
Nonferrous metals	16.1	37.8	37.6	41.2	39.6
Building materials	2.2	1.2	2.4	2.4	2.3
Wood processing	2.2	1.2	1.4	1.3	0.7
Chemicals	1.9	3.8	4.0	0.8	8.5
Metalworking	0.9	0.3	0.8	1.3	0.9
Printing	0.5	0.2	0.3	0.2	0.5
Glass and china	0.3	0.0	0.0	0.0	0.0
Cooperatives and private industry	2.9	8.5	6.4	5.8	...
Other	1.9	1.5	2.9	2.3	2.3

Source: Data provided by the State Statistical Office.

1/ Includes electric and thermal energy.

Table 6. Mongolia: Coal Mining Sector, 1992-96

	1992	1993	1994	1995	1996 est.
(In thousands of metric tons)					
Resources, total	6,445	5,755	5,249	5,101	5,218
Stock at beginning of year	198	138	91	82	107
Production	6,247	5,617	5,158	5,019	5,111
Total distribution	6,307	5,664	5,167	4,994	5,101
Consumed by thermal power stations	4,438	4,031	3,771	3,883	3,724
Final consumption	1,781	1,633	1,396	1,111	1,377
Industry and construction	877	711	592	441	578
Agriculture	69	58	38	28	37
Communal housing and public services	339	565	561	212	554
Other	496	299	205	430	208
Exports	88	0	0	0	0
Stock at end of year	138	91	82	107	117
(Annual percentage change)					
Production	-11.2	-10.1	-8.2	-2.7	1.8
Total distribution	-11.3	-10.2	-8.8	-3.3	2.1
Consumed by thermal power stations	-1.3	-9.2	-6.5	3.0	-4.1
Final consumption	-28.6	-8.3	-14.5	-20.4	23.9
Exports	-27.3	-100.0	0.0	0.0	0.0

Source: Data provided by the State Statistical Office.

Table 7. Mongolia: Petroleum Balance, 1992-96

	1992	1993	1994	1995	1996 est.
(In thousands of metric tons)					
Opening Stocks	132.9	100.5	185.3	141.1	96.9
Gasoline - octane 76	34.1	54.8	51.1	36.9	30.6
Gasoline - octane 93	2.6	0.8	2.3	0.5	0.9
Airplane fuel	6.5	1.9	10.0	6.0	3.1
Diesel	73.5	24.2	95.4	80.1	52.0
Other 1/	16.2	18.8	26.5	17.6	10.3
Imports	433.8	481.4	264.1	228.6	282.5
Gasoline - octane 76	193.7	153.1	111.0	125.5	168.3
Gasoline - octane 93	0.3	5.2	3.6	6.0	11.5
Airplane fuel	15.6	20.9	16.6	13.9	18.8
Diesel	158.7	236.4	95.2	65.4	78.4
Other 1/	65.5	65.8	37.7	17.8	5.4
Domestic supplement	260.0	...	214.0	254.6	24.1
Total supply	826.7	581.9	663.4	624.3	403.5
Implicit uses	472.0	396.6	332.3	320.1	313.3
Normal loss	254.2	...	190.0	207.3	35.1
Closing stocks	100.5	185.3	141.1	96.9	55.1
Gasoline - octane 76	54.8	51.1	36.9	30.6	...
Gasoline - octane 93	0.8	2.3	0.5	0.9	...
Airplane fuel	1.9	10.0	6.0	3.1	...
Diesel	24.2	95.4	80.1	52.0	...
Other 1/	18.8	26.5	17.6	10.3	...
(In percent of total gasoline and diesel use)					
Electricity generation	20.4	22.0	23.0	23.0	...
Agriculture	21.4	22.0	23.0	23.0	...
Transportation	20.3	22.0	20.0	20.0	...
Industry and other	37.9	34.0	34.0	34.0	...

Sources: Data provided by the Neft Import Concern.

1/ Fuel for electricity generation and lubricants.

Table 8. Mongolia: Electricity Sector, 1992-96

	1992	1993	1994	1995	1996
(In millions of kilowatt hours)					
Electricity supply, total	3,031	2,779	2,930	3,009	2,397
Domestic	2,929	2,582	2,715	2,628	2,047
Imports	102	197	215	381	350
Distribution, total	3,031	2,779	2,930	3,009	2,397
Industry and construction	1,413	1,177	1,189	1,105	1,010
Transport and communications	101	88	59	69	50
Agriculture	44	24	49	59	40
Commercial housing and public services	308	310	430	518	357
Other sectors	309	407	134	158	60
Loss in transmission and distribution	285	291	472	502	407
Power stations' own use	571	482	597	598	473
(Tugriks per kilowatt hour, annual average)					
Tariff					
Industry	1.5	12.5	13.0	17.5	34.0
Agriculture	1.0	10.0	13.0	17.5	34.0
Households	1.2	10.0	10.0	16.6	26.0
(Annual percentage change)					
Electricity supply, total	-8.5	-8.3	5.4	2.6	-20.3
Domestic	-9.3	-11.8	5.2	-3.2	-22.1
Imports	21.2	93.1	9.1	77.2	-8.1
Distribution, total	-8.5	-8.3	5.4	2.6	-20.3
Of which					
Industry and construction	-5.7	-17.7	1.0	-7.1	-8.6
Transport and communications	-8.1	-12.9	-33.0	16.9	-27.5
Agriculture	-41.3	-45.5	4.2	20.4	-32.2
Other sectors	-13.0	31.7	-67.1	17.9	-62.0
Loss in transmission and power stations' own use in total supply (in percent)	28.2	27.8	36.5	36.6	36.7

Source: Data provided by the State Statistical Office.

Table 9. Mongolia: Employment by Sector, 1992-96

(Number of employees, in thousands at end of year)

	1992	1993	1994	1995	1996
Total employment	805.0	772.8	786.5	794.7	806.0
Material sector	598.8	578.9	581.1	601.9	610.3
Agriculture and forestry	290.7	299.6	338.9	354.2	358.8
Industry	132.9	123.9	99.4	108.1	109.7
Transport and communications	50.2	46.0	31.4	31.6	32.1
Construction	41.4	33.0	27.2	29.5	30.0
Other	83.6	76.3	84.2	78.5	79.7
Nonmaterial sector	206.2	193.9	178.7	165.8	168.4
Education	68.4	63.8	51.9	48.5	49.2
Health	44.9	42.0	45.9	39.1	39.7
Science, research, and development	5.0	5.4	7.4	8.3	8.4
Other	87.9	82.7	73.5	69.9	71.1
Foreign employees	...	...	26.7	27.0	27.3
Memorandum items:					
Labor force	1,078.0	1,084.0	1,094.9	1,111.3	1,129.0
Unemployed	54.0	71.9	74.9	45.1	55.4

Source: Data provided by the State Statistical Office.

Table 10. Mongolia: Employment in Selected Industries, 1992-96 1/

	1992	1993	1994	1995	1996 2/
(Average number of employees, in thousands)					
Total	103.6	90.0	101.4	102.3	74.1
Electrical power and thermal energy	20.6	19.0	23.4	22.0	20.2
Fuel	4.4	4.0	4.0	4.0	4.7
Engineering and metalworking	2.8	2.8	1.2	1.2	1.2
Chemical	4.8	4.2	0.6	0.8	4.2
Construction material	8.2	6.9	3.8	4.0	4.8
Timber and woodworking	11.4	10.6	4.5	5.4	4.7
Glass, china, and pottery	0.5	0.3	0.2	0.2	0.1
Textile	8.2	8.1	6.0	5.8	5.7
Clothing	13.5	11.0	4.4	4.0	4.4
Leather, fur, and shoes	8.5	5.7	4.7	3.7	3.1
Printing	1.4	1.4	0.7	0.7	1.4
Food	13.9	11.4	10.1	10.5	12.0
Other	5.4	4.6	37.8	40.0	7.6
(Annual percentage change)					
Total	-0.6	-13.1	-12.7	0.9	...
Electrical power and thermal energy	-1.0	-7.8	23.2	-6.0	...
Fuel	-2.2	-9.1	0.0	0.0	...
Engineering and metalworking	0.0	0.0	-57.1	0.0	...
Chemical	0.0	-12.5	-85.7	33.3	...
Construction material	-1.2	-15.9	-44.9	5.3	...
Timber and woodworking	-1.7	-7.0	-57.5	20.0	...
Glass, china, and pottery	-16.7	-40.0	-33.3	0.0	...
Textile	0.0	-1.2	-25.9	-3.3	...
Clothing	-1.5	-18.5	-60.0	-9.1	...
Leather, fur, and shoes	-1.2	-32.9	-17.5	-21.3	...
Printing	7.7	0.0	-50.0	0.0	...
Food	-1.4	-18.0	-11.4	4.0	...
Other	10.2	-14.8	721.7	5.8	...

Source: Data provided by the State Statistical Office.

1/ Based on a sample of the largest enterprises.

2/ Number of employees at the end of the year.

Table 11. Mongolia: Ulaanbaatar Consumer Prices, 1992-96 1/

(January 1991 = 100)

	1992	1993	1994	1995	1996
(Annual average)					
Overall index	364	1,340	2,513	3,940	5,882
Food and beverages	387	1,694	3,032	4,655	7,078
Clothing	394	919	1,853	2,911	4,132
Rent and utilities	162	696	1,210	1,638	2,149
Household goods	550	1,401	2,840	4,589	6,819
Medical care	173	649	1,934	1,934	2,355
Transport and communications	262	1,271	2,399	3,834	6,121
Education and recreation	500	1,556	3,265	7,285	10,511
Other goods and services	326	950	2,282	3,462	5,272
(End of period)					
Overall index	650	1,839	3,058	4,681	7,432
Food and beverages	755	2,247	3,565	5,561	8,460
Clothing	679	1,304	2,363	3,454	5,314
Rent and utilities	246	1,068	1,596	1,692	3,054
Household goods	796	2,087	3,247	5,932	8,415
Medical care	197	1,934	1,934	1,934	2,932
Transport and communications	535	1,673	3,221	4,629	9,049
Education and recreation	581	2,155	4,428	8,389	13,855
Other goods and services	430	1,484	2,905	4,182	6,470
(Percentage change in overall index)					
Memorandum items:					
Annual average	202.9	268.4	87.6	56.8	49.3
End of period	325.5	183.0	66.3	53.1	58.8

Source: Data provided by the State Statistical Office.

1/ 1996 indices reflect an increase in the number of commodities comprising the consumer basket (from 123 to 205) and the adoption of new weights, in January 1996.

Table 12. Mongolia: Ulaanbaatar Consumer Price Inflation Rate, 1994-97

	Month	Overall Index (Weight) January 1991 = 100	Index (1.000) (Monthly percentage change)	Overall Index (1.000)	Food and Beverages (0.486) (1)	Clothing (0.219) (2)	Rent and Utilities (0.105) (3)	Household Goods (0.041) (4)	Medical Care (0.007) (5)	Transport and Communications (0.068) (6)	Education and Recreation (0.039) (7)	Other Goods and Services (0.035) (8)	Other Goods and Services (0.19) (4)-(8)
		(12 month percentage change)											
1994	May	2,291.5	0.5	116.5	106.4	99.3	313.5	137.9	296.6	128.0	122.4	170.7	138.9
	June	2,292.6	0.0	68.6	66.0	101.7	33.8	116.0	296.6	0.6	103.8	116.5	65.1
	July	2,639.4	15.1	84.6	83.2	95.8	33.2	88.6	186.0	81.4	115.0	125.5	98.4
	August	2,604.4	-1.3	67.6	53.4	113.4	33.2	95.0	186.0	81.4	37.4	140.2	81.4
	September	2,703.0	3.8	67.9	56.3	116.1	13.4	92.0	152.6	82.8	34.6	129.5	78.9
	October	2,901.9	7.4	70.3	59.2	108.6	13.4	86.5	152.6	88.7	112.4	101.3	97.2
	November	2,993.9	3.2	66.9	57.4	96.1	12.9	71.5	135.1	89.9	111.0	106.1	94.1
	December	3,057.8	2.1	66.3	58.7	81.2	49.4	55.6	0.0	92.5	105.5	95.8	83.5
1995	January	3,166.6	3.6	57.3	49.7	66.7	50.9	39.2	0.0	93.8	96.6	75.6	74.7
	February	3,252.4	2.7	51.1	35.5	82.3	50.9	52.6	0.0	93.8	97.2	78.2	78.6
	March	3,410.7	4.9	53.3	44.3	82.0	35.4	33.0	0.0	93.8	92.3	43.6	65.6
	April	3,483.1	2.1	52.7	43.6	57.3	38.5	36.9	0.0	93.8	155.0	43.9	82.8
	May	3,654.4	4.9	59.5	51.7	63.8	39.0	56.2	0.0	93.8	151.6	44.1	87.1
	June	3,660.9	0.2	59.7	51.3	60.6	36.3	66.5	0.0	94.7	162.8	41.1	92.5
	July	4,236.9	15.7	60.5	64.3	63.9	33.9	73.3	0.0	7.9	111.9	48.3	53.5
	August	4,258.0	0.5	63.5	66.3	52.2	33.6	60.2	0.0	52.5	199.9	57.3	83.3
	September	4,379.8	2.9	62.0	64.7	50.2	36.8	54.6	0.0	51.3	199.3	63.8	82.2
	October	4,506.3	2.9	55.3	57.4	39.6	36.8	83.7	0.0	46.6	90.2	54.6	66.5
	November	4,585.8	1.8	53.2	51.9	46.5	39.0	87.4	0.0	45.7	91.4	41.7	65.0
	December	4,681.7	2.1	53.1	56.0	46.2	6.0	82.7	0.0	43.7	89.4	44.0	63.3
1996	January 1/	4,839.0	3.4	52.8	57.7	49.3	5.5	82.0	0.0	43.9	62.5	43.9	48.0
	February	5,134.3	6.1	57.9	70.0	40.3	5.7	62.7	15.4	43.9	64.8	57.3	48.3
	March	5,148.5	0.3	51.0	55.6	40.7	4.8	71.6	15.4	44.5	63.6	64.7	51.4
	April	5,277.5	2.5	51.5	61.5	44.5	4.8	70.5	15.4	44.4	25.3	61.5	38.0
	May	5,364.2	1.6	46.8	55.8	40.5	5.2	48.0	15.4	44.4	27.6	58.2	34.3
	June	5,365.9	0.0	46.6	59.3	32.5	5.3	43.1	17.7	43.7	22.8	59.7	31.7
	July	5,430.5	1.2	28.2	27.4	33.9	7.7	38.5	17.7	43.7	18.6	46.9	27.8
	August	5,667.2	4.4	33.1	42.1	28.3	7.8	38.8	17.7	21.9	14.3	33.4	17.1
	September	6,758.0	19.2	54.3	52.7	42.2	78.9	48.9	20.1	73.3	51.6	47.3	43.3
	October	6,990.0	3.4	55.1	51.2	45.4	81.1	30.9	37.6	91.6	63.6	49.8	47.8
	November	7,179.8	2.7	56.6	51.1	48.9	81.6	36.3	37.6	93.0	62.6	55.5	50.4
	December	7,432.2	3.5	58.8	52.1	53.9	80.5	41.8	51.6	95.5	65.2	54.7	53.7
1997	January	7,603.1	2.3	57.1	50.2	46.6	83.4	38.4	51.6	95.5	75.0	54.7	63.9
	February	7,846.4	3.2	52.8	43.5	42.3	80.3	42.3	34.7	98.2	93.4	43.3	67.7
	March	8,066.1	2.8	56.7	45.9	46.8	86.6	48.8	64.6	102.4	103.0	42.3	73.9
	April	8,534.0	5.8	61.7	39.4	47.7	86.8	47.0	64.6	108.9	103.4	43.5	75.0
	May	8,892.4	4.2	65.8	44.1	50.8	90.4	41.9	59.8	108.9	100.2	44.8	72.7
	June	9,221.4	3.7	71.9	48.6	53.2	137.0	44.6	56.7	108.9	94.7	48.8	72.5

Source: Data provided by the State Statistical Office.

1/ From January 1996 onward, the 12 month reflects the expansion in the number of commodities included in the consumer basket and the adoption of new weights.

Table 13. Mongolia: Retail Prices, 1992-96

(End of period; in tugriks per kilogram, except where stated)

	1992	1993	1994	1995	1996
Mutton	34	235	320	550	550
Beef	30	235	360	550	650
Flour	3	110	118	196	325
Bread	3	59	90	140	240
Sugar	120	195	340	450	550
Rice	18	80	250	360	390
Vegetable oil (liter)	50	1,300	850	1,000	1,500
Tea bricks (2 kilograms)	78	1,200	2,600	1,900	1,800
Tobacco	110	750	600	550	1,200
Gasoline A-93 (liter)	52	131	164	164	235
Gasoline A-76 (liter)	42	100	126	126	200
Diesel (liter)	50	130	151	151	237

Sources: Data provided by the Ministry of Finance; and the State Statistical Office.

Table 14. Mongolia: Average Monthly Wages by Sector, 1995-96 1/

(Tugriks)

	1995	1996	Percent change
Overall average	22,600	25,500	12.8
Material Sector	24,300	26,700	9.9
Agriculture and forestry	25,600	26,900	5.1
Industry	24,100	29,200	21.2
Transport and communications	24,300	30,100	23.9
Construction	18,400	22,000	19.6
Trade	20,100	22,000	9.5
Nonmaterial sector	16,800	21,500	28.0
Financial services	17,600	23,100	31.3
Real estate	18,400	22,400	21.7
Civil service	17,200	23,900	39.0
Education	17,300	21,700	25.4
Health	14,400	18,700	29.9
Foreign organizations	50,000	55,000	10.0

Source: Data provided by the Ministry of Finance.

1/ Data for earlier years are not available on the same basis due to a change in collection procedures. Data relate to wages only and do not consistently incorporate bonuses and fringe benefits.

Table 15. Mongolia: Government Wage Scale, 1992-96

(Tugriks per month, end of period)

	1992	1993	1994	1995	1996
Nominal wages					
Maximum wage	7,600	19,500	19,500	38,100	38,100
Average wage	4,774	12,486	12,486	26,091	26,091
Minimum wage	2,300	6,400	6,400	15,400	15,400
Indices of real wages (Dec. 1992 = 100) 1/					
Maximum wage	100	90.7	54.5	69.6	43.6
Average wage	100	92.4	55.6	75.9	47.5
Minimum	100	98.3	59.1	92.9	58.2

Source: Data provided by the Ministry of Finance.

1/ Deflated by the CPI.

Table 16. Mongolia: Summary Operations of the General Government, 1992-97

	1992	1993	1994	1995	1996	1997 Budget
(In billions of tugriks)						
Total revenue and grants	13.5	56.8	85.7	144.6	163.3	208.8
Current revenue	12.3	53.8	81.8	135.7	155.9	191.8
Tax revenue	11.2	51.8	67.1	105.5	120.9	154.9
Income taxes	5.5	28.4	32.0	48.5	45.6	57.8
Social security contributions	1.0	2.0	5.9	15.8	18.5	24.5
Goods, services, and other	4.8	21.0	26.8	38.4	52.8	67.8
Fuel tax	—	—	2.3	2.8	4.1	4.8
Nontax revenue	1.1	2.0	14.7	30.2	35.0	36.9
Capital revenue	0.0	—	0.7	3.9	2.9	10.0
Grants 1/	1.2	3.0	3.3	5.1	4.4	7.0
Total expenditure	16.3	83.0	114.8	171.9	211.3	289.2
Current expenditure	11.6	42.9	72.7	101.5	129.8	181.8
Wages and salaries	2.7	8.6	16.1	26.8	36.7	46.4
Goods and services	5.3	19.4	35.2	47.5	59.4	62.5
Subsidies and transfers	3.5	12.8	19.8	25.4	29.8	45.5
Interest payments	0.1	2.0	1.7	1.8	3.9	24.3
Change in arrears	—	—	—	—	—	3.0
Capital expenditure and net lending	4.8	40.1	42.1	70.4	81.5	107.5
Capital expenditure	1.4	8.3	10.4	26.6	26.3	27.1
Net lending and other	—	7.4	11.1	4.0	6.3	2.2
Foreign financed projects	3.4	24.4	20.6	39.8	48.9	78.2
Current balance	0.7	10.9	9.1	34.2	26.2	10.0
Overall balance	-2.8	-26.2	-29.1	-27.3	-48.0	-80.4
Financing	2.8	26.2	29.1	27.3	48.0	80.4
Foreign, net	2.8	20.0	15.4	40.8	34.9	93.2
Project loans	3.4	24.4	20.6	39.8	48.9	78.2
Cash loans	2.3	11.0	11.5	18.2	—	41.0
Less: Amortization	2.8	15.5	16.7	17.2	14.0	26.1
Domestic, net	—	6.2	13.7	-13.5	13.1	-12.7
Banking system, net	-1.0	-4.1	7.3	-20.4	12.3	-12.7
Nonbank, net	1.0	10.3	6.4	6.9	0.8	—
(In percent of GDP)						
Total revenue	28.6	34.2	30.3	33.7	30.6	27.2
Current revenue	25.9	32.4	28.9	31.6	29.3	25.0
Capital revenue and grants	2.6	1.8	1.4	2.1	1.4	2.2
Total expenditure	34.6	49.9	40.5	40.0	39.7	37.6
Current expenditure	24.5	25.8	25.7	23.6	24.4	23.7
Capital expenditure and net lending	10.1	24.1	14.9	16.4	15.3	14.0
Current balance	1.5	6.6	3.2	8.0	4.9	1.3
Overall balance	-6.0	-15.7	-10.3	-6.4	-9.0	-10.5
Financing	6.0	15.7	10.3	6.4	9.0	10.5
Foreign, net	6.0	12.0	5.4	9.5	6.5	12.1
Domestic	0.0	3.7	4.8	-3.1	2.5	-1.7
Of which: Bank financing	-2.1	-2.4	2.6	-4.8	2.3	-1.7

Sources: Data provided by the Ministry of Finance.

1/ Grants relate to receipt of the budget of counterpart funds from recipient of the grants. This differs from the Balance of Payments definition which records grants when they are received from abroad.

Table 17. Mongolia: General Government Revenue, 1992-97

	1992	1993	1994	1995	1996	1997 Budget
(In millions of tugriks)						
Total revenue	13,504	56,812	85,745	144,622	163,284	208,832
Current revenue	12,268	53,785	81,808	135,683	155,932	191,814
Tax revenue	11,210	51,779	67,067	105,509	120,949	154,900
Corporate tax	5,235	27,169	29,875	43,236	39,227	50,839
Individual income tax	240	1,273	2,166	5,301	6,381	6,984
Taxes on goods, services, and other	4,569	20,720	24,734	34,891	47,060	61,296
Excise tax	2,014	4,312	4,641	5,302	7,253	11,648
Alcohol, vodka, and tobacco	1,740	3,795	4,641	5,302	7,253	10,048
Vehicles	--	--	--	--	--	1,600
Jewelry	274	517	--	--	--	--
Domestic sales tax	0	3,714	5,811	7,839	10,687	16,000
Motor vehicle tax	8	414	521	486	494	1,216
Petroleum tax	1,005	2,275	688	3,278	3,868	8,202
Other taxes on external trade	0	3,426	5,532	8,415	10,841	18,355
Customs duties and import surcharge	1,542	6,579	7,541	9,571	13,917	5,875
Social security contributions	957	1,969	5,889	15,765	18,474	24,475
Fees and charges	186	651	2,067	3,529	5,719	6,466
Natural resources fee	88	355	735	2,063	3,666	2,713
Forestry fee	35	40	76	161	179	206
Land fee	20	230	374	380	558	612
Water use	8	21	21	45	140	133
Stamp fees	26	82	677	640	682	2,265
Other	32	23	184	240	494	537
Fuel tax	--	--	2,336	2,787	4,088	4,840
Nontax revenue	1,058	2,006	14,741	30,174	34,983	36,914
Capital revenue	12	--	672	3,855	2,943	10,018
Grants 1/	1,224	3,027	3,265	5,084	4,409	7,000
(In percent of total revenue)						
Current revenue	90.8	94.7	95.4	93.8	95.5	91.9
Tax revenue	83.0	91.1	78.2	73.0	74.1	74.2
Corporate tax	38.8	47.8	34.8	29.9	24.0	24.3
Individual income tax	1.8	2.2	2.5	3.7	3.9	3.3
Taxes on goods, services, and other	33.8	36.5	28.8	24.1	28.8	29.4
Social security	7.1	3.5	6.9	10.9	11.3	11.7
Fees and charges	1.4	1.1	2.4	2.4	3.5	3.1
Nontax revenue	7.8	3.5	17.2	20.9	21.4	17.7
Capital revenue	0.1	--	0.8	2.7	1.8	4.8
Grants	9.1	5.3	3.8	3.5	2.7	3.4
(In percent of GDP)						
Total revenue	28.6	34.2	30.3	33.7	30.6	27.2
Current revenue	25.9	32.4	28.9	31.6	29.3	25.0
Tax revenue	23.7	31.2	23.7	24.6	22.7	20.2
Corporate tax	11.1	16.3	10.5	10.1	7.4	6.6
Individual income tax	0.5	0.8	0.8	1.2	1.2	0.9
Taxes on goods, services, and other	9.7	12.5	8.7	8.1	8.8	8.0
Social security	2.0	1.2	2.1	3.7	3.5	3.2
Fees, charges, and other	0.4	0.4	0.7	0.8	1.1	0.8
Nontax revenue	2.2	1.2	5.2	7.0	6.6	4.8
Capital revenue	0.0	--	0.2	0.9	0.6	1.3
Grants	2.6	1.8	1.2	1.2	0.8	0.9

Source: Data provided by the Ministry of Finance.

1/ Grants relate to receipt of the budget of counterpart funds from recipient of the grants. This differs from the Balance of Payments definition which records grants when it is received from abroad.

Table 18. Mongolia: General Government Expenditure, 1992-97

	1992	1993	1994	1995	1996	1997 Budget
(In millions of tugriks)						
Total expenditure	16,347	82,972	114,823	171,890	211,264	289,248
Current expenditure	11,578	42,889	72,744	101,485	129,781	181,784
Wages and salaries	2,708	8,613	16,109	26,758	36,715	46,409
Goods and services	5,264	19,412	35,175	47,537	59,383	62,536
Subsidies and current transfers	3,544	12,837	19,755	25,392	29,750	45,520
Subsidies	599	3,841	5,425	3,607	647	255
Transfers and other	2,945	8,996	14,330	21,785	29,103	45,265
Social security fund	2,197	7,178	11,995	18,458	24,148	28,097
Social assistance fund	409	729	1,201	1,746	2,789	12,894
Other transfers	339	1,089	1,134	1,581	2,166	4,274
Interest payments	62	2,028	1,705	1,798	3,933	24,319
Change in arrears	--	--	--	--	--	3,000
Capital expenditure and net lending	4,770	40,083	42,079	70,405	81,483	107,464
Capital expenditure	1,376	8,270	10,428	26,646	26,312	27,112
Lending minus repayment	-	7,404	11,051	3,986	6,284	2,152
Foreign finance projects	3,394	24,409	20,600	39,773	48,887	78,200
(In percent of total expenditure)						
Current expenditure	70.8	51.7	63.4	59.0	61.4	62.8
Wages	16.6	10.4	14.0	15.6	17.4	16.0
Goods and services	32.2	23.4	30.6	27.7	28.1	21.6
Subsidies and current transfers	21.7	15.5	17.2	14.8	14.1	15.7
Subsidies	3.7	4.6	4.7	2.1	0.3	0.1
Transfers and other	18.0	10.8	12.5	12.7	13.8	15.6
Social security fund	13.4	8.7	10.4	10.7	11.4	9.7
Social assistance fund	2.5	0.9	1.0	1.0	1.3	4.5
Other transfers	2.1	1.3	1.0	0.9	1.0	1.5
Interest payments	0.4	2.4	1.5	1.0	1.9	8.4
Change in arrears	--	--	--	--	--	1.0
Capital expenditure and net lending	29.2	48.3	36.6	41.0	38.6	37.2
Capital expenditure	8.4	10.0	9.1	15.5	12.5	9.4
Lending minus repayment	--	8.9	9.6	2.3	3.0	0.7
Foreign finance projects	20.8	29.4	17.9	23.1	23.1	27.0
(In percent of GDP)						
Total expenditure	34.6	49.9	40.5	40.0	39.7	37.6
Current expenditure	24.5	25.8	25.7	23.6	24.4	23.7
Wages	5.7	5.2	5.7	6.2	6.9	6.0
Goods and services	11.1	11.7	12.4	11.1	11.1	8.1
Subsidies and current transfers	7.5	7.7	7.0	5.9	5.6	5.9
Subsidies	1.3	2.3	1.9	0.8	0.1	0.0
Transfers and other	6.2	5.4	5.1	5.1	5.5	5.9
Social security fund	4.6	4.3	4.2	4.3	4.5	3.7
Social assistance fund	0.9	0.4	0.4	0.4	0.5	1.7
Other transfers	0.7	0.7	0.4	0.4	0.4	0.6
Interest payments	0.1	1.2	0.6	0.4	0.7	3.2
Change in arrears	--	--	--	--	--	0.4
Capital expenditure and net lending	10.1	24.1	14.9	16.4	15.3	14.0
Capital expenditure	2.9	5.0	3.7	6.2	4.9	3.5
Lending minus repayment	-	4.5	3.9	0.9	1.2	0.3
Foreign finance projects	7.2	14.7	7.3	9.3	9.2	10.2

Source: Data provided by the Ministry of Finance.

Table 19. Mongolia: General Government Expenditure by Function, 1992-96

	1992	1993	1994	1995	1996
(In millions of tugriks)					
Total expenditure	16,347	82,971	114,824	171,890	211,264
General public services	855	3,523	8,130	12,814	19,045
Defense	919	4,147	6,766	9,547	11,850
Public order and safety	812	2,109	3,991	7,080	9,741
Education	3,135	9,251	15,546	23,525	31,188
Health	1,870	6,152	11,116	15,959	21,044
Social security	2,606	7,907	13,971	23,343	28,571
Housing and community	203	1,023	1,501	2,371	2,323
Recreation, culture, and religion	686	2,311	3,746	5,086	6,525
Economic affairs	1,673	12,298	26,618	27,152	27,614
Other 1/	3,588	34,250	23,439	45,014	53,364
(In percent of total expenditure)					
General public services	5.2	4.2	7.1	7.5	9.0
Defense	5.6	5.0	5.9	5.6	5.6
Public order and safety	5.0	2.5	3.5	4.1	4.6
Education	19.2	11.1	13.5	13.7	14.8
Health	11.4	7.4	9.7	9.3	10.0
Social security	15.9	9.5	12.2	13.6	13.5
Housing and community	1.2	1.2	1.3	1.4	1.1
Recreation, culture, and religion	4.2	2.8	3.3	3.0	3.1
Economic affairs	10.2	14.8	23.2	15.8	13.1
Other 1/	21.9	41.3	20.4	26.2	25.3
(In percent of GDP)					
Total expenditure	34.6	49.9	40.5	40.0	39.7
General public services	1.8	2.1	2.9	3.0	3.6
Defense	1.9	2.5	2.4	2.2	2.2
Public order and safety	1.7	1.3	1.4	1.6	1.8
Education	6.6	5.6	5.5	5.5	5.9
Health	4.0	3.7	3.9	3.7	3.9
Social security	5.5	4.8	4.9	5.4	5.4
Housing and community	0.4	0.6	0.5	0.6	0.4
Recreation, culture, and religion	1.5	1.4	1.3	1.2	1.2
Economic affairs	3.5	7.4	9.4	6.3	5.2
Other 1/	7.6	20.6	8.3	10.5	10.0

Source: Data provided by the Ministry of Finance.

1/ Includes capital expenditure and net lending.

Table 20. Mongolia: General Government Social Expenditure, 1992-96

	1992	1993	1994	1995	1996
(In millions of tugriks)					
Total expenditure	16,347	82,971	114,823	171,890	211,264
Current expenditure	11,578	42,889	72,745	101,486	129,781
Social protection expenditure	9,746	30,799	52,518	76,144	93,385
Pensions and allowances	2,197	7,178	11,995	18,952	25,362
Education	3,273	9,596	16,439	23,526	33,669
Health	1,944	6,329	11,610	19,762	26,053
Housing and community	203	1,023	1,505	2,371	2,325
Subsidies	1,720	5,944	9,768	9,756	2,814
Social safety net	409	729	1,201	1,777	3,162
(In percent of total expenditure)					
Social protection expenditure	59.6	37.1	45.7	44.3	44.2
Pensions and allowances	13.4	8.7	10.4	11.0	12.0
Education	20.0	11.6	14.3	13.7	15.9
Health	11.9	7.6	10.1	11.5	12.3
Housing and community	1.2	1.2	1.3	1.4	1.1
Subsidies	10.5	7.2	8.5	5.7	1.3
Social safety net	2.5	0.9	1.0	1.0	1.5

Source: Data provided by the Ministry of Finance.

Table 21. Mongolia: Subsidies and Transfers, 1992-96

	1992	1993	1994	1995	1996
(In millions of tugriks)					
Total subsidies and transfers	4,996	12,916	23,854	31,654	31,338
Total subsidies	1,720	5,944	9,768	9,755	709
Energy	69	2,258	4,090	3,142	385
Milk	2	0	0	0	0
Mapping office	16	41	58	59	62
Urban transport	125	1,224	1,329	466	262
Meat	58	0	0	0	0
Fodder transport	196	158	0	0	0
Housing interest	68	0	0	0	0
Newspapers	1	0	0	0	0
Price difference for clean water	40	0	0	0	0
Film purchases	11	0	0	0	0
Forestation expenditure	18	0	0	0	0
Veterinary services	202	835	1,311	2,166	0
Meal subsidies, etc.	132	0	0	0	0
Medicines	298	1,406	2,974	3,922	0
Other	484	22	6	0	0
Total transfers	3,276	6,972	13,816	21,899	30,629
Social benefits	2,607	5,503	11,165	18,493	25,362
Social safety net fund	95	197	1,517	1,746	3,162
Student allowances	221	262	187	172	69
Children's Clothing Fund	126	0	0	0	0
Gasoline rebate	193	180	0	0	0
Other	84	830	947	1,488	2,036
(In percent of total expenditure)					
Memorandum items:					
Total subsidies and transfers	30.6	15.6	20.5	18.4	14.8
(In percent of GDP)					
Total subsidies and transfers	10.6	7.8	8.4	7.4	5.9
Total subsidies	3.6	3.6	3.4	2.3	0.1
Total transfers	6.9	4.2	4.9	5.1	5.7

Source: Data provided by the Ministry of Finance.

Table 22. Mongolia: Social Security Fund Transactions, 1992-96 1/

	1992	1993	1994	1995	1996
(In millions of tugriks)					
Total revenue	2,672	8,346	13,818	23,084	27,864
Budget transfers	1,377	5,503	7,589	7,352	6,581
Payroll tax 2/	1,247	2,838	6,213	15,600	20,827
Civil servants	338	874	2,395	3,227	4,873
Business entities	909	1,964	3,818	7,653	9,870
Employees	0	0	0	4,720	6,084
Other 3/	48	5	16	132	456
Total expenditure	2,607	7,907	13,196	20,220	27,495
Pensions	2,192	7,147	11,610	18,139	23,286
Old age	1,742	5,447	8,609	13,913	18,100
Handicapped persons	139	517	866	1,525	1,995
Survivors' benefits	208	743	1,248	2,147	2,581
Disability	66	169	442	457	521
Other pensions	37	271	445	97	89
Allowances and benefits	358	644	876	1,220	2,322
Pregnancy	115	205	412	431	662
Mothers with large families	132	115	101	103	79
Child care	97	298	328	243	656
Twins	1	0	0	0	2
Infant nursing	5	19	28	27	61
War veterans	8	7	7	0	0
Other 4/	0	0	0	416	862
Other expenditures	57	116	710	861	1,887
Subsidies to rest homes	33	55	75	27	205
Administration	2	0	385	397	1,215
Other	18	30	250	437	467
Capital investment	4	31	0	0	0
Overall balance	65	439	622	2,864	369
(In percent of total government expenditure)					
Memorandum items:					
Social security fund expenditure	13.4	8.6	10.1	10.6	11.0
Budget transfers to the Social Security Fund	8.4	6.6	6.6	4.3	3.1
(In percent of GDP)					
Social security fund expenditure	4.6	4.3	4.1	4.2	4.4
Budget transfers to the Social Security Fund	2.9	3.3	2.7	1.7	1.2

Source: Data provided by the Ministry of Finance.

1/ Classification of social security transactions changed in 1995 with the unification of the previous system.

2/ Starting in 1995, corresponds to Social Security contributions.

3/ Includes transfers to the Social Security Fund from trade unions.

4/ Starting in 1995, includes death benefits and accident allowances.

Table 23. Mongolia: Number of Social Security Beneficiaries, 1992-96

(In thousands)

	1992	1993	1994	1995	1996
Social security	478.0	409.3	395.6	380.3	361.9
Old age	232.0	235.4	227.4	222.8	222.7
Handicapped persons	24.4	24.9	25.2	25.9	27.9
Survivors' benefits	34.1	34.8	35.1	35.5	36.7
Disability	171.7	97.5	89.7	76.4	55.7
Other pensions	15.8	16.7	18.2	19.7	18.9
Social assistance	282.9	184.5	179.8	282.3	349.8
Pregnancy	75.9	36.3	29.4	15.2	27.0
Mothers with large families	93.0	66.4	63.5	170.7	238.3
Child care	58.8	46.3	53.8	1.6	3.2
Twins	0.2	0.1	0.1	0.1	0.2
Infant nursing	11.1	9.3	6.3	52.8	28.7
War veterans	11.1	10.2	9.0	9.0	18.2
Other	32.8	15.9	17.7	32.9	34.2

Source: Data provided by the Ministry of Finance.

Table 24. Mongolia: Government Staff and Wage Bill, 1993-96

	1993	1994	1995	1996
Government staff 1/	(Positions)			
General public services	13,966	13,315	12,915	13,690
Public order and safety affairs	14,319	15,651	15,287	13,806
Education affairs and services	59,958	53,869	59,081	50,686
Health affairs and services	35,159	34,700	35,100	30,074
Social security and welfare affair and services	0	50	1,194	1,111
Recreational, cultural affairs and services	7,135	6,955	6,291	6,747
Agricultural, forestry and services	5,049	5,324	3,936	3,720
Other affairs and services	22,372	22,851	17,653	21,347
Total	157,958	152,715	151,493	141,181
Wages and salaries	(In millions of tugriks)			
General public services	1,195	2,129	3,442	4,727
Public order and safety affairs	790	1,697	2,719	3,701
Education affairs and services	3,205	5,844	9,915	13,252
Health affairs and services	1,719	3,254	5,217	6,802
Social security and welfare affair and services	5	17	268	255
Recreational, cultural affairs and services	326	631	1,014	1,485
Agricultural, forestry and services	235	453	711	912
Other affairs and services	1,134	2,099	3,470	4,453
Total	8,612	16,109	26,758	36,715

Source: Data provided by the Ministry of Finance.

1/ Number of official positions. The decline in numbers mainly reflects more accurate records and the elimination of some vacant positions.

Table 25. Mongolia: Expenditure of the Health Sector, 1993-96

(In millions of tugriks)

	1993	1994	1995	1996
Total expenditure	6,329	11,610	19,762	26,053
Wages and salaries	1,719	3,254	5,217	6,718
Social security	178	494	3,810	5,009
Social security payments	178	405	955	1,117
Health insurance	-	89	2,855	3,892
Other goods and services	4,208	7,535	9,956	13,202
Electricity	349	471	539	971
Fuel and heating	1,088	1,408	1,789	2,826
Transport (fuel)	501	686	884	933
Food	461	780	1,184	1,666
Medicines	773	2,330	2,834	3,580
Other	1,036	1,860	2,726	3,226
Investment	181	180	550	855
Capital repair expenditures	43	147	229	269

Source: Data provided by the Ministry of Finance.

Table 26. Mongolia: Expenditure of the Education Sector, 1993-96

(In millions of tugriks)

	1993	1994	1995	1996
Total expenditure	9,596	16,439	23,526	33,669
Wages and salaries	3,206	5,844	9,915	13,702
Social security	344	894	1,802	2,481
Social security payments	344	740	1,494	2,043
Health insurance	-	154	308	438
Other goods and services	5,814	9,386	10,729	16,004
Electricity	495	617	801	1,268
Fuel and heating	2,762	3,960	4,828	6,445
Transport (fuel)	207	318	349	409
Food	967	1,183	1,924	2,385
Medicines	2	17	31	33
Other	1,381	3,291	2,796	5,464
Investment	145	207	528	854
Capital repair expenditures	87	108	552	628

Source: Data provided by the Ministry of Finance.

Table 27. Mongolia: Budgetary Support for Enterprises, 1994-1996 1/
(In millions of tugriks)

	1994	1995	1996
Current subsidies	5,420	3,607	647
Energy Authority	4,090	3,142	436
Urban transport	1,329	465	211
Capital transfers	2,759	1,383	4,022
Energy Authority	n.a.	n.a.	2,550
Other	n.a.	n.a.	1,472
Net lending	11,051	3,986	6,284
Lending, gross	n.a.	4,868	7,657
Energy Authority	n.a.	-	1,000
Oil Import Concern	n.a.	1,793	5,640
Urban transport	n.a.	1,623	-
Flour mills	n.a.	1,453	587
Other	n.a.	-	430
Repayments	n.a.	882	1,373
Energy Authority	n.a.	n.a.	500
Oil Import Concern	n.a.	n.a.	276
Urban transport			
Flour mills	n.a.	n.a.	469
Other	n.a.	n.a.	128
Borrowing from the Bank of Mongolia			
(with government guarantee)	n.a.	4,600	8,647
Darkhan Minimetel	n.a.	2,900	2,927
Energy Authority	n.a.	-	2,550
Oil Import Concern	n.a.	1,700	3,170
Total Support	19,230	13,576	19,600
(as percent of GDP)	6.8	3.2	3.7

Source: Ministry of Finance.

1/ Data for 1994 and 1995 may not be complete.

Table 28. Mongolia: Monetary Survey, 1993-97

	1993	1994	1995	1996					1997
				Mar.	Jun.	Sept.	Dec.	Dec. 1/	Mar.
(In billions of tugriks, end of period)									
Net international reserves	24.2	29.3	52.9	49.4	45.3	55.0	74.7	72.8	84.5
Other foreign assets (net)	-7.6	-8.2	-7.7	-8.3	-6.8	-7.5	-7.6	-7.6	-1.8
Net domestic assets	26.1	55.7	56.9	60.9	68.2	67.8	61.3	59.9	31.8
Domestic credit	23.9	52.9	42.5	59.0	67.8	64.7	69.0	81.7	82.5
Credit to government (net)	-6.7	0.5	-19.4	-9.8	-5.5	-11.2	-7.1	46.7	25.7
Credit to nonbanks	30.6	52.4	61.8	68.8	73.3	75.9	76.2	35.0	56.8
Public enterprises 2/	20.8	13.4	15.8	20.7	28.9	35.8	18.6	11.6	14.1
Private sector 2/	9.9	39.0	46.0	48.1	44.4	40.1	30.8	23.4	31.9
Nonperforming loans	...	...	...	...	...	...	26.8	...	10.9
Other items (net)	2.2	2.8	14.4	2.0	0.5	3.1	-7.7	-21.8	-50.7
Broad money	42.8	76.8	102.0	102.0	106.7	115.2	128.4	125.1	114.5
Narrow money	18.5	32.9	42.6	43.8	49.8	58.3	64.3	63.1	52.7
Currency in circulation	8.8	18.8	25.6	23.3	30.5	33.8	41.7	41.7	32.9
Demand deposits	9.8	14.1	17.0	20.4	19.2	24.5	22.6	21.4	19.8
Quasi-money	24.2	43.9	59.4	58.2	57.0	57.0	64.1	62.0	61.8
Time/savings deposits	10.1	28.9	38.5	39.4	38.5	36.2	35.2	33.1	32.8
Foreign currency deposits	14.1	15.0	20.9	18.9	18.5	20.8	28.9	28.9	29.0
(Annual percentage change)									
Net domestic assets	91.9	112.9	2.2	-6.2	-4.0	-4.4	7.7	5.3	-47.9
Domestic credit	47.4	121.1	-19.7	-5.4	7.0	18.7	62.5	92.2	40
Credit to government (net)	-152.7	107.7	-3,847.4	-504.9	-349.1	-25.9	63.1	341.0	361.6
Credit to nonbanks	62.2	70.9	18.1	14.8	19.9	19.7	23.2	-43.4	-17.4
Broad money	227.6	79.5	32.9	16.3	18.7	9.9	25.8	22.6	12.2
Narrow money	142.7	77.2	29.7	22.8	25.5	39.1	50.8	48.1	20.5
Currency in circulation	375.8	114.5	36.4	19.0	32.0	35.0	63.0	63.0	40.9
Demand deposits	68.9	44.0	20.9	27.5	16.5	45.2	32.6	25.9	-2.9
Quasi-money	347.4	81.3	35.3	11.8	13.4	-9.5	7.9	4.4	6.1
Time/savings deposits	128.0	186.4	33.1	16.6	6.8	-5.0	-8.7	-14.0	-16.7
Foreign currency deposits	1,337.4	6.1	39.5	3.0	30.0	-16.4	38.3	38.3	53.5

Sources: Data provided by the Bank of Mongolia; and Fund staff estimates.

1/ Adjusted for bank restructuring.

2/ Data before and after January 1994 are not comparable, owing to a change in the classification of public enterprises and the private sector.

Table 29. Mongolia: Balance Sheet of the Bank of Mongolia, 1993-97

(In billions of tugriks, end of period)

	1993	1994	1995	1996					1997
				Mar.	Jun.	Sept.	Dec.	Dec. 1/	
Net international reserves 2/	10.8	15.4	32.1	30.7	29.2	33.0	37.9	36.0	42.5
Gross reserves	25.9	38.2	54.5	56.1	55.1	69.0	68.1	66.2	84.8
Gross liabilities	-15.2	-22.8	-22.4	-25.3	-25.9	-35.9	-30.2	-30.2	-42.2
Other foreign assets (net) 2/	-7.1	-6.6	-5.7	-5.9	-5.3	-6.0	-5.5	-5.5	0.4
Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.7
Liabilities	-7.1	-6.6	-5.7	-5.9	-5.3	-6.0	-5.5	-5.5	-3.3
Net domestic assets	12.2	22.2	12.0	7.3	15.8	18.6	18.8	32.7	7.6
Domestic credit	5.5	18.4	4.4	13.0	24.9	23.8	35.1	32.7	20.7
Credit to government (net)	-1.2	7.7	-3.3	2.4	9.2	8.6	14.5	25.5	11.4
Credit	1.5	9.8	6.2	7.6	12.9	12.3	22.9	33.9	26.0
Deposits	2.6	2.1	9.5	5.2	3.7	3.7	8.4	8.4	14.6
Credit to commercial banks	6.6	10.4	7.7	10.6	15.7	15.3	15.1	1.7	3.5
Credit to nonbanks	0.0	0.4	0.0	0.0	0.0	0.0	5.5	5.5	5.8
Public enterprises 3/	0.0	0.4	0.0	0.0	0.0	0.0	5.5	5.5	5.8
Private sector 3/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other assets (net)	6.7	3.8	7.6	-5.7	-9.1	-5.2	-16.3	-12.0	-13.1
Reserve money	14.3	28.9	37.6	30.7	36.0	42.5	51.2	51.2	46.3
Currency in circulation	8.8	18.8	25.6	23.3	30.5	33.8	41.7	41.7	32.9
Bank reserves	5.5	10.1	12.0	7.3	5.5	8.7	9.5	9.5	13.3
Cash held by banks	2.0	2.8	4.2	4.6	4.6	5.6	4.3	4.3	8.1
Demand deposits with the Bank of Mongolia	3.5	7.3	7.8	2.7	0.9	3.0	5.1	5.1	5.2
Deposits of public enterprises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central bank bills	1.5	2.1	0.8	1.5	3.7	3.2	0.0	0.0	4.3

Sources: Data provided by the Bank of Mongolia; and Fund staff estimates.

1/ Adjusted for bank restructuring.

2/ Data after March 1993 exclude foreign assets and liabilities held by the Trade and Development Bank.

3/ Data before and after January 1994 are not comparable, owing to a change in the classification of public enterprises and the private sector.

Table 30. Mongolia: Consolidated Balance Sheet of Commercial Banks, 1993-97

(In billions of tugriks, end of period)

	1993	1994	1995	1996					1997
				Mar.	Jun.	Sept.	Dec.	Dec. 1/	
Reserves	5.5	10.1	12.0	7.3	5.5	8.7	9.5	9.5	13.3
Cash	2.0	2.8	4.2	4.6	4.6	5.6	4.3	4.3	8.1
Demand deposits with the Bank of Mongolia	3.5	7.3	7.8	2.7	0.9	3.0	5.1	5.1	5.2
Central bank bills	1.5	2.1	0.8	1.5	2.2	2.0	0.0	0.0	2.2
Net foreign assets 2/	13.5	13.9	20.8	18.6	16.1	21.9	36.8	36.8	42.0
Assets	14.9	17.3	25.4	19.6	16.6	22.0	43.3	43.2	49.7
Liabilities	-1.4	-3.3	-4.6	-0.9	-0.5	-0.1	-6.4	-6.4	-7.8
Other foreign assets (net) 2/	-0.5	-1.6	-2.0	-2.4	-1.5	-1.5	-2.1	-2.0	-2.2
Assets	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	-1.9	-1.6	-2.0	-2.4	-1.5	-1.5	-2.1	-2.0	-2.2
Domestic credit	25.1	44.8	45.8	56.5	58.6	56.1	49.0	50.7	65.4
Credit to government (net)	-5.6	-7.1	-16.0	-12.2	-14.7	-19.8	-21.6	21.2	14.3
Credit	1.9	1.3	1.7	2.1	2.5	2.2	1.0	39.8	33.3
Deposits	7.5	8.5	17.7	14.4	17.2	22.0	22.6	18.6	19.0
Loans to nonbanks	30.6	52.0	61.8	68.8	73.3	75.9	70.7	29.5	51.1
Public enterprises 3/	20.8	13.0	15.8	20.7	28.9	35.8	13.1	6.0	8.4
Private sector 3/	9.9	39.0	46.0	48.1	44.4	40.1	30.8	23.5	31.9
Nonperforming loans	...	...	...	...	...	...	26.8	...	10.9
Other assets (net)	-4.4	-1.0	6.5	8.3	10.8	9.3	4.3	-0.7	-35.9
Deposits	34.0	58.0	76.4	78.7	76.2	81.4	86.7	83.4	81.6
Demand deposits	9.8	14.1	17.0	20.4	19.2	24.5	22.6	21.4	19.8
Public enterprises	7.8	9.9	12.4	16.3	14.2	17.4	17.4	16.8	15.2
Private sector	2.0	4.3	4.6	4.1	5.0	7.0	5.2	4.6	4.6
Time/savings deposits	10.1	28.9	38.4	39.4	38.5	36.2	35.2	33.1	32.8
Foreign currency deposits	14.1	15.0	20.9	18.9	18.5	20.8	28.9	28.9	29.0
Borrowing from the Bank of Mongolia	6.6	10.4	7.6	11.2	15.4	15.1	10.9	10.9	3.2

Sources: Data provided by the Bank of Mongolia; and Fund staff estimates.

1/ Adjusted for bank restructuring.

2/ Data after March 1993 include foreign assets and liabilities held by the Trade and Development Bank.

3/ Data before and after January 1994 are not comparable, owing to a change in the classification of public enterprises and the private sector.

Table 31. Mongolia: Net Credit to Government, 1993-97

(In billions of tugriks, end of period)

	1993	1994	1995	1996				1997	
				Mar.	Jun.	Sept.	Dec.	Dec. 1/	Mar.
Banking system	-6.7	0.5	-19.4	-9.8	-5.5	-11.2	-7.1	46.7	25.7
Claims on government	3.4	11.1	7.8	9.7	15.4	14.5	23.8	73.7	59.3
Government deposits	10.1	10.6	27.2	19.5	20.9	25.7	31.0	27.0	33.6
Bank of Mongolia (net)	-1.2	7.7	-3.3	2.4	9.2	8.6	14.5	25.5	11.4
Claims on government	1.5	9.8	6.2	7.6	12.9	12.3	22.9	33.9	26.0
Advance financing to budget	0.0	5.8	0.4	0.4	4.2	3.6	15.3	26.3	7.2
Foreign exchange financing without tugrik funds	1.5	4.0	5.7	7.2	8.6	8.7	7.6	7.6	4.8
Government deposits	2.6	2.1	9.5	5.2	3.7	3.7	8.4	8.4	14.6
Central government	2.3	1.7	9.1	5.0	3.3	3.4	7.9	...	19.2
Budget revenue (current account) 2/	0.2	0.0	0.0	0.0	0.0	0.0	0.0	...	0.0
Budget deposits 3/	2.0	1.5	8.1	3.5	2.3	1.8	4.2	...	3.3
Budget reserves	0.0	0.3	1.0	1.4	1.1	1.6	3.7	...	2.5
Budget investment funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	...	0.0
Local government	0.3	0.4	0.4	0.2	0.3	0.3	0.5	...	0.4
Commercial banks (net)	-5.6	-7.1	-16.0	-12.2	-14.7	-19.8	-21.6	21.2	14.3
Claims on government	1.9	1.3	1.7	2.1	2.5	2.2	1.0	39.8	33.3
Government securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	...	29.4
Inherited and directed credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	...	2.3
Accrued interest receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	...	0.2
Projects	0.5	0.5	0.5	0.5	0.5	0.5	0.0	...	0.0
Nontrade settlement	0.1	0.1	0.1	0.1	0.1	0.1	0.0	...	0.0
Other	1.4	0.8	1.1	1.6	2.0	1.7	1.0	...	1.4
Government deposits	7.5	8.5	17.7	14.4	17.2	22.0	22.6	18.6	19.0
Central government	5.9	5.6	14.5	11.6	13.9	18.2	19.5	...	16.1
Budget revenue (current account) 2/	2.0	0.0	0.0	0.0	0.0	0.0	0.0	...	0.0
Budget deposits 3/	2.2	1.2	3.2	3.2	3.5	7.1	7.9	...	3.2
Budget reserves	0.0	1.0	1.9	1.0	2.6	2.7	2.5	...	1.4
Special revenue	0.1	0.0	0.0	0.0	0.0	0.0	0.0	...	0.0
Budget funds with BITI	0.3	0.3	0.3	0.1	0.3	0.6	0.4	...	0.4
Current account of budgetary units	0.5	1.1	3.0	3.4	2.8	3.2	3.8	...	4.8
Social security and pension funds	0.7	1.4	4.7	2.6	3.6	3.8	4.4	...	5.9
Privatization funds	0.0	0.2	0.4	0.9	0.4	0.1	0.2	...	0.2
Budget investment funds	0.2	0.4	1.1	0.5	0.6	0.5	0.3	...	0.0
Local government (current account)	1.6	2.1	2.2	1.3	2.4	2.9	2.3	...	2.7
Budget revenue	1.1	1.6	1.5	0.6	1.4	1.5	0.0	...	1.3
Budget reserves	0.0	0.1	0.1	0.0	0.1	0.1	0.0	...	0.1
Current account of budgetary units	0.5	0.5	0.6	0.6	0.8	1.1	0.0	...	1.1
Budget investment funds	0.0	0.0	0.0	0.1	0.1	0.2	0.0	...	0.0
Time deposits of government agencies	0.1	0.8	1.0	0.5	0.4	0.6	0.5	...	0.2
Accounts outside budget	0.0	0.0	0.0	0.9	0.5	0.4	0.2	...	0.2

Source: Data provided by the Bank of Mongolia.

1/ Adjusted for bank restructuring.

2/ Replaced by new accounts, including budget reserves, after January 1994.

3/ Includes counterpart funds of foreign loans and grants.

Table 32. Mongolia: Central Bank Credit to Commercial Banks, 1993-97

(In millions of tugriks, end of period)

	1993	1994	1995	1996					1997
				Mar.	Jun.	Sept.	Dec.	Dec. Adj. 1/	
Credit for loan resource deficiency	1,335	9,148	6,562	6,562	6,212	5,554	5,604	260	260
Clearing loans	1,460	31	0	250	0	0	0	0	0
Principal in arrears	2,683	647	0	400	1,098	1,937	3,644	81	133
Interest payments in arrears	1,158	322	194	184	176	0	0	0	0
On lending of the Asian Development Bank employment loan	0	226	34	128	311	286	155	22	40
Refinance facility	0	0	950	3,044	2,770	2,550	2,450	150	760
Other	0	0	0	0	5,162	4,960	3,343	1,200	2,350
Total	6,636	10,374	7,740	10,568	15,729	15,287	15,196	1,713	3,543

Source: Data provided by the Bank of Mongolia.

1/ Adjusted for bank restructuring.

Table 33. Mongolia: Commercial Bank Loans to Major Projects, 1993-97

(In millions of tugriks, end of period)

	1993	1994	1995	1996				1997
				Mar.	Jun.	Sept.	Dec.	Mar.
Cashmere processing	48	48	23	23	23	23	23	23
Telecommunication project	332	0	0					
Mini-metal plant	1,357	1,465	1,930	1,930	1,930	1,930	1,930	1,930
Chingis Khan Hotel	1,509	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Cement factory	4	4	4	4	4	4	4	4
Tractor factory	0	0	0	-	-	-	-	-
Meat factory	20	20	20	20	20	20	20	20
Crystal resonator	182	98	98	98	98	98	98	98
Syringe factory	13	15	0	-	-	-	-	-
Horse meat factory	224	782	1,044	1,044	1,044	1,044	1,044	1,044
Paint factory	33	86	86	86	86	86	86	86
Total	3,722	6,018	6,705	6,705	6,705	6,705	6,705	6,705
Memorandum item:								
Percent share of credit to nonbanks	12.0	11.6	10.8	9.7	9.1	8.8	9.5 1/	13.1

Source: Data provided by the Bank of Mongolia.

1/ Before bank restructuring.

Table 34. Mongolia: Interest Rates, 1993-97

(In percent per annum, unless otherwise specified)

	1993	1994	1995	1996				1997
				Mar.	Jun.	Sept.	Dec.	Mar.
Deposit rates								
Current accounts								
State enterprises	2	2	2	2	2	2	2	2
Private sector	2	2	2	2	2	2	2	2
Savings deposit accounts	24-100	10-64	12-43	12-43	12-43	12-43	12-35	12-27
Time deposit accounts								
Domestic currency								
3-12 months	70-153	50-101	41-101	13-80	13-80	13-68	13-60	12-51
1 year	70-153	50-101	12-101	13-80	13-80	13-60	13-60	13-51
Foreign currency								
1 year	10-72	6-72	6-43	6-43	6-43	6-60	4-43	4-43
Loan rates								
Bank of Mongolia clearing rate	120-300	72-264	72-150	72-108	72-108	72-108	72-108	48-66
Commercial loans 1/								
Short-term (less than 1 year)								
State enterprises	182	122	92	88	54	85	71	70
Private business units	215	131	94	92	78	85	80	78
Consumer	223	137	110	102	88	127	125	100

Source: Data provided by the Bank of Mongolia.

1/ Average rates.

Table 35. Mongolia: Operations in Central Bank Bills
(In millions of tugrik, end of period)

	Amount	Yield 1/
1995		
March	3,710	4.25
June	500	4.35
September	605	5.25
December	830	5.20
1996		
January	2,600	5.00
February	1,400	5.00
March	1,500	4.92
April	1,500	4.75
May	2,000	4.50
June	2,175	4.25
July	1,500	3.60
August	1,216	3.60
September	2,000	2.90
October	2,500	3.25
November	2,500	3.50
December	0	...
1997		
January		
Auctioned on 1/13/97	2,400	3.25
Total	2,400	3.25
Outstanding	0	...
February		
Auctioned on 2/4/97	1,000	3.25
Auctioned on 2/25/97	3,000	3.00
Total	4,000	3.13
Outstanding	1,580	...
March		
Auctioned on 3/10/97	3,000	3.00
Auctioned on 3/21/97	4,000	3.75
Auctioned on 3/29/97	2,000	5.00
Total	9,000	3.92
Outstanding	2,150	...
April		
Auctioned on 4/21/97	2,000	4.00
Total	2,000	4.00
Outstanding	1,230	...
May		
Auctioned on 5/5/97	4,000	4.50
Auctioned on 5/12/97	2,000	4.50
Auctioned on 5/20/97	5,000	4.50
Auctioned on 5/26/97	2,500	4.75
Total	13,500	4.56
Outstanding	6,100	...
June		
Auctioned on 6/3/97	7,000	4.75
Auctioned on 6/17/97	8,000	4.75
Total	15,000	4.75
Outstanding	5870	...

Source: Monetary Policy Department.

1/ Average interest rate (percent per month).

**Table 36. Mongolia: Composition of Broad Money and
Income Velocity, 1993-96**

(End of period)

	1993	1994	1995	1996 1/
(In percent of broad money)				
Narrow money	43.4	42.8	41.8	50.1
Currency in circulation	20.5	24.4	25.1	32.5
Demand deposits	22.9	18.4	16.7	17.6
Quasi-money	56.6	57.2	58.2	49.9
Time and savings deposits	23.6	37.7	37.8	27.4
Foreign currency deposits	33.0	19.5	20.5	22.5
(In billions of tugriks)				
Nominal GDP	166.2	283.3	429.3	532.8
Broad money	42.8	76.8	102.0	128.4
Broad money excluding foreign currency deposits	28.7	61.8	81.2	99.5
(Annual percentage change)				
Consumer price index	183.0	66.3	53.1	58.8
Broad money	227.6	79.5	32.9	25.8
(Ratio)				
Income velocity of broad money	3.9	3.7	4.2	4.1
Tugrik velocity	5.8	4.6	5.3	5.4

Sources: Data provided by the Mongolian authorities; and Fund staff estimates.

1/ Before adjustments for bank restructuring.

Table 37. Mongolia: Balance of Payments, 1992-96

(In millions of U.S. dollars)

	1992	1993	1994	1995	1996
Trade balance	-62.6	-8.7	-3.5	-3.3	-87.4
Exports, f.o.b.	355.8	365.8	367.0	485.6	423.4
Copper	160.1	155.1	188.7	257.6	174.5
Noncopper	195.7	210.7	178.3	228.0	248.8
Imports, c.i.f.	-418.4	-374.5	-370.5	-488.9	-510.8
Services balance	-25.4	-31.1	-33.8	-46.1	-18.1
Receipts	35.2	26.8	43.0	47.1	69.1
Payments	-60.6	-57.9	-76.8	-93.2	-87.2
Interest	-14.6	-9.2	-14.3	-9.4	-8.1
Other	-46.0	-48.7	-62.5	-83.8	-79.1
Private unrequited transfers	-2.7	-0.1	-3.0	-2.8	6.2
Current account deficit (-), excluding official transfers	-90.7	-39.9	-40.3	-52.2	-99.3
Public unrequited transfers (net)	38.5	71.0	77.6	79.1	63.6
Official grants	38.7	66.7	69.5	70.9	56.2
Other official transfers (net)	-0.8	4.3	8.1	8.2	7.4
Financial and Capital account	30.7	-9.6	-36.2	19.0	20.3
Direct investment	2.0	7.7	7.0	9.8	15.9
Medium- and long-term loans (net)	86.3	32.5	7.9	50.9	46.8
Disbursements	112.1	54.0	60.3	96.2	84.1
Amortizations	-25.8	-21.5	-52.4	-45.3	-37.3
Short-term	-57.6	-49.8	-51.0	-41.7	-42.4
Errors and omissions	8.9	5.2	-10.6	-17.4	-3.9
Overall balance	-12.6	26.7	-9.5	28.5	-19.2
Financing	12.6	-26.7	9.5	-28.5	19.2
Change in net official reserves (increase -)	6.1	-22.6	-10.0	-32.0	13.3
Arrears accumulated (+) or payments (-)	-11.5	-11.0	-37.0	-2.4	5.9
Exceptional financing (rescheduling)	18.0	6.9	56.5	5.9	0.0
Memorandum items:					
Current account deficit (-), excluding official transfers (in percent of GDP)	-6.7	-6.8	-5.8	-5.5	-10.9
Net official reserves (end of period)	4.6	27.2	37.2	67.9	54.6
(In weeks of total imports)	0.6	3.8	5.2	7.2	5.6
Gross official reserves (end of period)	41.1	64.9	92.4	114.9	98.4
(In weeks of total imports)	5.3	9.0	13.0	12.2	10.0
Outstanding arrears (end of period)	51.8	40.8	3.8	1.4	7.3

Sources: Data provided by the Mongolian authorities; and Fund staff estimates.

Table 38. Mongolia: Principal Exports, 1992-96

(In millions of U.S. dollars, unit value in U.S. dollars)

	1992	1993	1994	1995	1996
Copper concentrate (value)	160.1	155.1	188.7	257.6	174.5
Volume (concentrate in '000 tons)	346.0	394.5	405.4	322.3	332.7
Refined copper equivalent	100.3	114.4	119.2	116.0	124.6
Unit value--refined (per ton)	1,595.1	1,355.8	1,583.1	2,219.4	1,400.9
Molybdenum concentrate	6.9	5.5	17.0	15.9	10.8
Volume (tons)	2,975.1	2,908.0	5,247.1	3,800.0	4,787.0
Unit value (per ton)	2,329.3	1,891.3	3,239.9	4,184.2	2,256.1
Fluorite ore	15.0	8.3	1.6	0.6	...
Volume ('000 tons)	166.4	79.5	16.2	5.3	...
Unit value (per ton)	90.1	104.4	98.8	113.2	...
Fluorite concentrate	10.2	8.9	11.0	18.4	22.6
Volume ('000 tons)	97.2	77.2	88.0	120.4	155.2
Unit value (per kg)	104.9	115.3	125.0	152.8	145.6
Gold	0.0	0.0	11.4	51.9	52.4
Volume (kg)	...	...	1,104.1	4,215.6	4,257.7
Unit value (per kg)	...	...	10,325.1	12,310.3	12,310.3
Sawn wood	11.1	9.0	7.8	4.4	9.1
Volume ('000 cubic meters)	71.9	72.2	78.7	44.8	96.4
Unit value (per cubic meter)	154.4	124.7	99.1	98.2	94.4
Cashmere tops	2.2	1.9	6.8	3.8	2.2
Volume (tons)	20.5	38.2	71.6	34.0	28.3
Unit value (per kg)	107.3	49.7	94.9	112.7	77.7
Cashmere, dehaired	10.4	9.2	26.1	45.2	49.4
Volume (tons)	203.5	250.7	341.0	507.3	686.9
Unit value (per kg)	51.1	36.7	76.5	89.1	71.9
Cashmere garments	10.9	5.1	3.6	7.8	...
Volume ('000 pieces)	177.9	120.9	99.0	215.8	...
Unit value (per piece)	61.2	42.2	36.4	36.2	...
Cashmere, greasy/raw	29.0	17.3	3.5	0.4	8.5
Volume (tons)	1,355.6	1,217.0	240.8	78.8	393.4
Unit value (per kg)	21.4	14.2	14.5	5.1	21.6
Washed wool	8.0	3.8	0.9	2.1	...
Volume (tons)	7,099.5	2,790.0	752.1	1,325.4	...
Unit value (per kg)	1.1	1.4	1.2	1.5	...
Camel wool, raw	2.9	4.8	5.6	2.3	2.1
Volume (tons)	1,673.3	3,003.0	2,505.4	940.3	1,025.0
Unit value (per kg)	1.7	1.6	2.2	2.4	2.0
Skin and hides	0.1	30.9	18.1	21.8	19.1
Volume ('000 pieces)	10.8	5,972.0	2,891.9	2,763.6	2,300.0
Unit price	8.3	5.2	6.3	7.9	8.3
Leather goods	10.8	5.2	1.3	0.1	0.1
Volume ('000 pieces)	122.1	104.2	17.7	1.2	...
Unit value (per piece)	88.4	49.9	73.5	83.3	...
Sheepskin coats	5.9	1.3	0.9	0.2	0.03
Volume ('000 pieces)	35.3	12.5	11.8	3.7	0.5
Unit value (per piece)	167.1	104.0	76.3	54.1	60.0
Carpets	7.3	6.2	0.9	0.2	0.1
Volume ('000 meters)	313.0	512.9	68.6	11.5	2.2
Unit value (per meter)	23.3	12.1	13.1	17.4	45.5
Meat	7.7	7.9	6.3	2.8	4.7
Volume ('000 tons)	8.3	7.1	5.1	2.1	3.3
Unit value (per ton)	921.7	1,112.7	1,237.6	1,333.3	1,424.2
Live animals	0.0	1.9	0.0	0.0	0.0
Other	57.3	83.5	55.5	50.1	67.7
Total	355.8	365.8	367.0	485.6	423.4

Sources: Data provided by the Mongolian authorities; and Fund staff estimates.

Table 39. Mongolia: Merchandise Imports, 1992-96 1/

(In millions of U.S. dollars)

	1992	1993	1994	1995	1996
Food	21.3	58.2	20.4	34.3	62.2
Energy	88.3	108.7	75.4	67.7	87.8
Equipment goods	137.0	87.8	92.7	137.9	173.6
Raw materials and spare parts	123.5	72.8	31.7	71.1	67.2
Consumer goods	48.3	47.0	38.2	65.8	47.1
Other imports	0.0	0.0	112.1	112.1	72.9
Total	418.4	374.5	370.5	488.9	510.8
Memorandum items:					
Nonfood imports	397.1	316.3	350.1	454.6	448.6
Nonenergy imports	330.1	265.8	295.1	421.2	423.0

Sources: Data provided by the Mongolian authorities; and Fund staff estimates.

1/ On a c.i.f. basis.

Table 40. Mongolia: Direction of Trade, 1992-96

(In percent of exports or imports)

	1992	1993	1994	1995	1996
Exports	100.0	100.0	100.0	100.0	100.0
Countries of the former CMEA	60.7	52.8	41.0	32.3	25.1
Former U.S.S.R.	56.6	52.5	40.6	30.3	24.1
Russia	...	...	...	14.5	20.6
Kazakhstan	...	...	...	15.7	3.4
Other	...	...	...	0.1	0.1
Bulgaria	1.8	0.0	0.0	0.0	0.0
Former Czechoslovakia 1/	1.1	0.1	0.3	2.0	1.0
Hungary	0.8	0.0	0.0	0.0	0.0
Poland	0.1	0.0	0.0	0.0	0.0
Korea, Democratic People's Republic of	0.3	0.2	0.1	0.0	0.0
EU countries	8.1	5.2	6.2	12.6	9.8
Belgium	1.2	0.8	0.5	0.5	0.5
France	0.2	0.2	0.1	0.1	0.1
Germany	3.1	0.8	0.6	1.6	1.1
Italy	2.1	2.8	2.7	2.4	2.5
Netherlands	0.4	0.2	0.9	1.0	1.0
United Kingdom	1.0	0.3	1.4	3.9	4.4
Other	0.0	0.0	0.0	3.1	0.2
Other	31.2	41.8	50.0	55.1	65.1
China	17.8	31.6	19.4	16.4	17.7
Austria	0.1	1.4	0.0	0.0	0.0
Finland	0.3	0.5	0.6	0.4	0.0
Hong Kong, China	1.0	0.3	0.7	0.6	0.6
Japan	4.8	4.5	13.1	10.0	8.5
Korea	0.4	0.3	5.9	5.5	8.0
Singapore	0.2	0.1	0.0	0.4	0.0
Switzerland	4.2	2.7	6.4	16.2	25.4
United States	1.1	1.1	3.7	5.5	4.4
Federal Republic of Yugoslavia (Serbia/Montenegro)	0.5	0.0	0.2	0.0	0.1
Afghanistan, Islamic State of	1.2	0.0	0.0	0.0	0.0
Other	0.5	0.3	2.8	0.1	0.4
Imports	100.0	100.0	100.0	100.0	100.0
Countries of the former CMEA	55.6	57.8	60.1	53.7	41.1
Former U.S.S.R.	51.2	57.3	59.2	50.7	37.6
Russia	...	...	...	50.1	34.2
Kazakhstan	...	...	...	0.2	0.2
Other	...	...	...	0.4	3.2
Bulgaria	0.1	0.1	0.1	0.1	0.4
Former Czechoslovakia 1/	1.3	0.1	0.3	2.4	1.8
Hungary	1.2	0.0	0.1	0.1	0.5
Poland	0.3	0.1	0.4	0.3	0.8
Romania	0.0	0.0	0.0	0.0	0.0
Korea, Democratic People's Republic of	0.0	0.2	0.0	0.1	0.0
EU countries	8.4	5.5	5.3	7.8	13.5
Denmark	0.7	1.2	0.6	1.0	0.5
France	1.8	1.2	0.2	0.4	0.3
Germany	5.2	1.6	4.0	4.4	4.7
United Kingdom	0.4	0.7	0.5	0.7	0.7
Other	0.2	0.8	0.0	1.3	7.3
Other	37.4	36.7	33.6	38.5	45.4
China	13.8	17.1	9.6	10.7	14.6
Austria	4.6	0.5	0.0	1.3	0.1
Finland	0.5	0.2	0.1	0.3	0.2
Hong Kong, China	2.3	2.7	4.3	1.5	0.9
India	0.4	0.4	0.0	0.3	0.1
Japan	9.5	7.4	6.2	11.0	17.5
Korea	2.0	0.8	4.3	5.2	4.0
Singapore	1.5	0.9	1.4	1.8	2.9
Switzerland	1.2	0.6	1.5	1.5	1.0
United States	0.4	4.6	5.0	3.5	2.5
Federal Republic of Yugoslavia (Serbia/Montenegro)	0.6	0.9	0.0	0.0	0.0
Other	0.6	0.6	1.1	1.4	1.6

Sources: Data provided by the Mongolian authorities; and Fund staff estimates.

1/ Data after 1993 refer to Czech Republic and Slovak Republic.

Table 41. Mongolia: Services Account, 1993-96 1/

(In millions of U.S. dollars)

	1993		1994		1995		1996	
	Receipts	Payments	Receipts	Payments	Receipts	Payments	Receipts	Payments
Passenger fares	7.3	11.0	8.1	4.9	12.0	9.0	9.7	18.0
Railway	1.1	3.2	1.7	4.9	4.0	5.0	5.2	8.6
Airline	6.2	7.8	6.4 2/	...	8.0	4.0	4.5	9.4
Port services	0.0	5.3	3.6	14.1	1.8	10.0	14.0	5.9
Transit fees	1.8	8.0	3.5	4.6	1.5	2.0	4.0	0.0
Travel	3.5	2.5	6.6	3.4	8.6	19.5	10.0	19.4
Investment income	0.8	21.0	3.2	22.6	4.5	27.2	13.4	25.5
Direct investment income	0.0	11.8	0.0	8.2	0.0	17.8	0.0	16.1
Interest on bank deposits	0.8	0.0	3.2	0.0	3.0	0.0	6.5	1.3
Interest on debt	0.0	9.2	0.0	14.3	1.5	9.4	6.9	8.1
Medium- and long-term	0.0	7.2	0.0	14.3	0.0	9.4	0.0	8.1
Short-term	0.0	2.0	0.0	0.0	1.5	0.0	6.9	0.0
Embassy expenses abroad	0.0	1.5	0.0	3.0	0.0	8.0	2.6	4.1
Embassies/international organizatio	1.4	0.0	10.9	0.0	10.0	0.0	10.0	0.0
Commissions	1.6	0.3	3.1	0.0	0.0	0.0	0.0	0.3
Communications	2.2	0.9	3.8	4.1	4.0	6.0	4.8	3.0
Technical Assistance				...	0.0	8.9	0.0	9.0
Other	8.2	7.4	0.3	20.0	4.7	2.6	0.6	2.0
Total	26.8	57.9	43.0	76.8	47.1	93.2	69.1	87.2

Sources: Data provided by the Mongolian authorities; and Fund staff estimates.

1/ A significant broadening in the coverage of the service sector was achieved in 1996.

2/ Net amount.

Table 42. Mongolia: Official Grants, 1992-96 1/

(In millions of U.S. dollars)

	1992	1993	1994	1995	1996
Japan	24.4	14.9	44.8	47.0	45.2
In kind	1.2	5.0	0.0	3.0	2.5
Cash (balance of payments support)	15.0	0.0	28.3	10.0	0.0
Projects	8.2	9.9	16.5	34.0	42.7
United States	2.0	33.9	11.5	2.7	3.7
In kind	0.0	16.5	3.5	0.0	2.9
Cash (balance of payments support)	2.0	17.4	8.0	2.7	0.8
Denmark	3.5	5.4	8.2	0.7	0.3
Germany	1.7	0.0	1.4	13.5	0.8
Korea	1.2	0.2	0.5	0.1	0.0
China	1.2	0.9	0.0	0.0	0.0
Italy	1.5	2.4	1.3	0.0	0.0
Netherlands	1.2	1.2	0.0	3.8	0.9
France	0.2	3.5	0.0	0.0	0.0
United Kingdom	1.2	1.0	0.8	1.0	0.0
Other countries	0.6	1.7	0.1	1.5	0.3
United Nations	0.0	1.6	0.9	0.0	2.0
European Union	0.0	0.0	0.0	0.6	3.0
Total	38.7	66.7	69.5	70.9	56.2

Sources: Data provided by the Mongolian authorities; and Fund staff estimates.

1/ Excludes technical assistance.

Table 43. Mongolia: Medium- and Long-Term Loan Disbursements, 1992-96

(In millions of U.S. dollars)

	1992	1993	1994	1995	1996
Official loans	71.4	54.0	60.3	90.7	84.1
Japan	11.2	20.0	2.4	22.2	29.6
Balance of payments support	11.2	20.0	0.0	0.0	0.0
Project	0.0	0.0	2.4	22.2	29.6
Germany	8.7	5.7	7.3	2.5	3.3
China	0.0	2.2	0.0	0.0	4.4
Balance of payments support	0.0	1.8	0.0	0.0	0.0
Project	0.0	0.4	0.0	0.0	4.4
Korea	0.0	0.0	0.8	4.4	0.0
Russia	9.5	15.9	9.1	1.5	0.0
India	0.0	1.1	1.7	1.5	0.0
Norway	0.0	0.0	0.0	0.0	2.0
World Bank	24.0	3.9	19.0	14.0	11.0
Balance of payments support	24.0	3.0	17.5	9.7	1.8
Project	0.0	0.0	0.0	3.6	8.8
Technical assistance	0.0	0.9	1.5	0.7	0.4
Asian Development Bank	18.0	5.2	20.0	44.6	33.9
Balance of payments support	18.0	5.0	10.3	32.7	0.0
Project	0.0	0.0	9.7	11.9	33.9
Technical assistance	0.0	0.2	0.0	0.0	0.0
Commercial loans	40.7	0.0	0.0	5.5	0.0
Copper mine	20.0	0.0	0.0	0.0	0.0
Mini-metal project	13.8	0.0	0.0	0.0	0.0
Airplanes	6.9	0.0	0.0	0.0	0.0
Leather factory	0.0	0.0	0.0	5.5	0.0
Total	112.1	54.0	60.3	96.2	84.1

Sources: Data provided by the Mongolian authorities; and Fund staff estimates.

Table 44. Mongolia: Short-Term Capital Flows, 1993-96

(In millions of U.S. dollars)

	1993	1994	1995	1996
Import trade credits	-11.1	-2.8	0.0	6.1
Austria	-11.2	0.0	0.0	0.0
Japan	0.0	0.0	0.0	0.0
France	-4.9	-2.8	0.0	0.0
United States	5.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	6.1
Amortization of import trade credits (International Bank for Economic Cooperation balances)	-9.0	0.0	0.0	0.0
Prepayment for imports	0.0	-9.7	6.9	0.0
Japanese grant	0.0	-7.5	4.7	0.0
U.S. grant	0.0	-2.2	2.2	0.0
Export trade credits	-10.5	-35.7	-27.6	-11.2
Copper receipts	27.4	-35.7	-28.9	-11.2
Counterpart of barter trade balance	-37.9	0.0	0.0	0.0
Increase in foreign short-term deposits of commercial banks	-21.3	6.2	-10.3	-20.9
Other	2.1	-9.0	-9.4	-16.4
Total	-49.8	-51.0	-41.7	-42.4

Sources: Data provided by the Mongolian authorities; and Fund staff estimates.

Table 45. Mongolia: Official International Reserves, 1993-96 1/

(In millions of U.S. dollars, end of period)

	1993	1994	1995	1996
Gross foreign assets	64.9	92.4	114.9	98.4
Cash	0.7	0.4	0.2	4.9
SDR holdings	0.3	2.9	2.6	0.4
Monetary gold	5.3	11.0	34.5	53.6
Current account	4.0	3.5	4.5	5.5
Deposit account	54.6	71.6	70.9	33.8
Foreign grants	0.0	3.0	2.3	0.0
Short-term foreign liabilities	37.7	55.2	47.0	43.8
Borrowing from banks	5.8	0.0	0.0	0.0
International Bank for Economic Cooperation	4.8	0.0	0.0	0.0
International Investment Bank	1.0	0.0	0.0	0.0
Use of Fund credit	31.9	55.2	47.0	43.8
Net international reserves	27.2	37.2	67.9	54.6

Source: Data provided by the Bank of Mongolia.

1/ Assets and liabilities held by the Bank of Mongolia only. For end-December 1995, including the undrawn amount of \$17.5 million from the Asian Development Bank Agricultural Sector Loan.

**Table 46. Mongolia: Long-Term External Debt and Debt Service
in Convertible Currencies, 1992-96 1/**

	1992	1993	1994	1995	1996
(In millions of U.S. dollars)					
External debt	297.7	366.0	473.7	504.2	555.7
Medium- and long-term	267.0	322.9	418.5	457.3	511.9
IMF	18.9	31.9	55.2	47.0	43.8
Short-term	11.8	11.2	0.0	0.0	0.0
Debt service	41.0	41.9	66.7	58.5	49.9
Amortization	26.4	32.7	52.4	49.1	41.8
Interest	14.6	9.2	14.3	9.4	8.1
Medium- and long-term	34.3	28.8	65.6	47.6	39.4
Amortization	25.8	21.5	52.4	39.4	32.3
Interest	8.5	7.3	13.2	8.2	7.1
IMF	1.2	1.2	1.1	10.8	10.5
Repurchase/Repayments	0.0	0.0	0.0	9.7	9.5
Charges	1.2	1.2	1.1	1.1	1.0
Short-term	5.5	12.4	0.0	0.0	0.0
(In percent)					
External debt/GDP	27.6	62.4	68.6	52.8	60.9
Medium- and long-term	24.8	55.1	60.6	47.9	56.1
IMF	1.7	5.4	8.0	4.9	4.8
Short-term	1.1	1.9	0.0	0.0	0.0
External debt/current receipts	76.1	93.2	115.5	94.7	112.8
Medium- and long-term	68.3	82.2	102.1	85.9	103.9
IMF	4.8	8.1	13.5	8.8	8.9
Short-term	3.0	2.9	0.0	0.0	0.0
Debt-service ratio	10.5	10.6	16.3	11.0	9.9
Amortization	6.8	8.3	12.8	9.2	8.5
Interest	3.7	2.3	3.5	1.8	1.4
Medium- and long-term	8.8	7.3	16.0	9.0	7.8
Amortization	6.6	5.5	12.8	7.4	6.6
Interest	2.2	1.8	3.2	1.6	1.2
IMF	0.3	0.3	0.3	2.0	2.1
Repurchase/repayments	0.0	0.0	0.0	1.8	1.9
Charges	0.3	0.3	0.3	0.2	0.2
Short-term	1.4	3.2	0.0	0.0	0.0

Sources: Data provided by the Mongolian authorities; and Fund staff estimates.

1/ Debt service data refer to actual payments.

**Table 47. Mongolia: Long-Term External Debt
in Nonconvertible Currencies, 1992-96**

(In millions of transferable rubles)

	1992	1993	1994	1995	1996
Total	10,616	10,616	10,543	10,522	10,522
Russia	10,457	10,457	10,457	10,457	10,457
Former Czechoslovakia	41.9	41.9	41.9	41.9	41.9
Former German Democratic Republic	20.7	20.7	20.7	0.0	0.0
Bulgaria	9.8	9.8	0.0	0.0	0.0
Romania	3.1	3.1	3.1	3.1	3.1
Hungary	34.4	34.4	0.0	0.0	0.0
Poland	20.1	20.1	20.1	20.1	20.1
China	28.7	28.7	0.0	0.0	0.0

Source: Data provided by the Mongolian authorities.

Table 48. Mongolia: Monthly Exchange Rates, January 1995-June 1997

(In tugriks per U.S. dollar, period average)

	Official Rate 1/	Interbank Rate 2/	Street Rate
1995			
January	415.3	418.5	415.8
February	422.0	426.0	428.4
March	431.1	436.6	460.1
April	436.9	450.1	463.2
May	447.8	456.3	465.0
June	448.9	459.9	463.2
July	451.7	458.2	465.2
August	459.5	461.7	467.0
September	462.0	463.6	468.5
October	465.1	469.5	476.9
November	470.3	477.6	486.1
December	473.7	476.1	477.7
1996			
January	476.0	481.4	492.2
February	481.9	489.3	501.5
March	486.5	494.1	510.0
April	491.7	500.9	508.0
May	504.8	506.0	515.9
June	524.9	528.8	549.4
July	534.3	543.1	558.0
August	544.2	561.0	569.0
September	586.5	595.8	600.6
October	606.2	611.5	614.3
November	655.8	676.7	679.0
December	692.4	693.9	692.8
1997			
January	710.6	718.0	724.0
February	733.9	749.3	731.8
March	819.2	844.4	807.4
April	805.0	801.1	818.4
May	787.1	786.9	785.6
June	796.8	797.6	795.8

Source: Data provided by the Bank of Mongolia.

1/ Midpoint rate announced by the Bank of Mongolia.

2/ Midpoint rate established in the interbank foreign exchange market.