UNDER EMBARGO UNTIL 12.00 HRS., BANGKOK TIME, THURSDAY, 28 APRIL 2016

MONGOLIA

GDP (current US$, billions):	$12.02	Population (thousands):	2,910
Share of GDP in developing Asia-Pacific:	0.03%	GDP per capita (current US$):	$4,129.37
Share of GDP in East and North-East Asia:	0.03%	Average inflation (2015)	6.6%

- Mongolia’s economic growth slowed significantly to 2.3% in 2015 compared with an average annual growth rate of 10.6% in the preceding three years. The slump was underpinned by sharp declines in mining sector investments, weaker external demand for coal and copper, particularly from China, and deteriorating terms of trade.

- Fixed investment decreased in 2015 due to a notable decline in FDI as investments relating to the first phase of the Oyu Tolgoi mine project came to an end.

- Amid concerns over rising public debt which more than doubled from approximately 40% of GDP in 2010 to nearly 90% in 2015, the Government cut spending in 2015 by about 4.2%. The Fiscal Stability Law was amended in early 2015; it set the new fiscal deficit ceiling at 5% of GDP and will decrease it further to 2% of GDP by 2018. The off-balance sheet spending through a development bank, which uses proceeds from selling government-backed bonds to finance public investment projects, will be reined in.

- Despite fiscal tightening, public debt increased as the Government made up for the shortfall in FDI by mobilizing external financing.

- Monetary policy was tightened by phasing out the price stabilization programme which provides low-interest rate credit to suppliers of oil and food and contributed to the rapid growth in credit in recent years.

- Economic growth is likely to weaken further in 2016 to 0.5%, before recovering slightly to 1% in 2017.

- Production in the Oyu Tolgoi mines would be sluggish, while global commodity prices are set to remain subdued. Fiscal and monetary policy support will also be modest.

- On the positive side, an agreement was reached on the second phase of the Oyu Tolgoi mine project, which is estimated to cost $5.4 billion, and that should help revive the inflow of FDI.