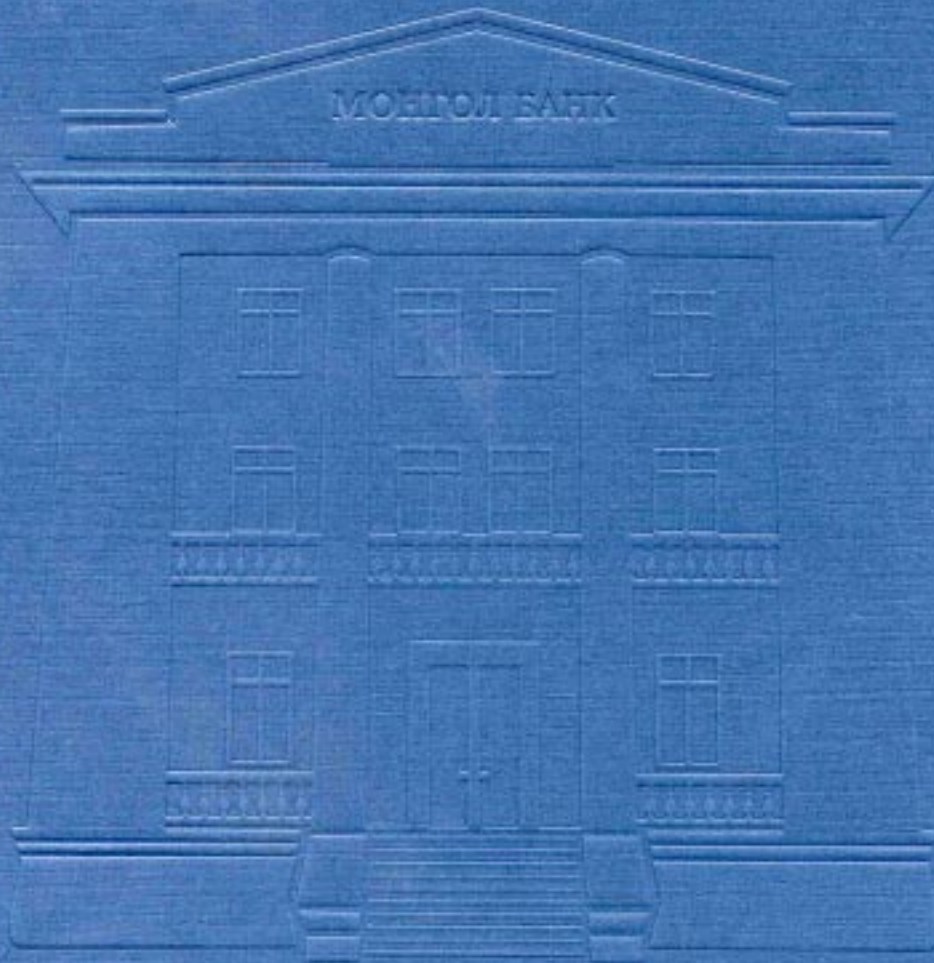




THE BANK OF MONGOLIA



ANNUAL REPORT 2000



Governor of the Bank of Mongolia, Ochirbat Chuluunbat

STATEMENT FROM THE GOVERNOR

Ladies and Gentlemen,

I am pleased to present to you the 2000 Annual Report of the Bank of Mongolia (Central bank) outlining our activities implementing the State Monetary Policy Guidelines as well as providing monetary statistics data.

The recent global economic and financial crisis across the major regions was shallower. The performance of world economy in 2000 suggests a further strengthening of the global recovery that started in 1999. The economic and financial situation of the major regions has been improved and growth was more evenly shared and was even more intensive in some others places.

In spite of unfavorable weather condition, it's pleasant to remark that we have positive outcomes demonstrating a stabilization of transition process. In 2000, consumer price index (inflation rate) fell down to 8.1 percent level per annum, exchange rate of Togrog was relatively stable, budget deficit decreased by 36.2 percent, industrial sector output increased by 7.5 percent, number of registered unemployment declined by 3.0 percent which indicate that the economy has been showing a stabilization trend.

In terms of monetary policy framework, the coordination between the direct and indirect monetary policy tools, the prudential management and regulation of foreign exchange rate were introduced as part of complex monetary policy measures. Thus these measures contributed mainly to reduction of inflation rate.

During the last few years, the growth rate of money supply were higher than the growth rate of CPI. This is evidence that financial intermediation deepened and the banking sector has started to support real economy. On the other hand, the real interest rate remained stable and on high level that demonstrates the increase of the real demand for money. Therefore, it shows possibility and need to ease the tight monetary policy, which was conducted lately.

One of the features of the reporting year was that Government for the first time issued and traded the short-term treasury bills to public.

However, we still need concentrate our attention and power to accelerate financial sector restructuring, improve bank and non-bank financial institutions' credibility, and bring the accounting standards to international level and solve other instantaneous problems, which are our main social circumstances in first years of new century and new millenium.

With best wishes,

Ochirbat CHULUUNBAT
Governor of the Bank of Mongolia
Ulaanbaatar 2001

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1.1. BRIEF REVIEW OF THE WORLD ECONOMY

The world economic situation has improved...

The performance of the world economy in 2000 suggests a further strengthening of the global recovery that started in 1999 and somewhat more evenly shared growth across the major regions. Growth projections for total output indicate an increase of 4.7 percent, world trade volume 10.0 percent, oil prices 47.5 percent, export of goods and services of 3.2 percent. Global gross domestic product (GDP) growth in 2000 was higher than at any time since 1987. Growth is projected to increase in all major regions of the world, led by the continued strength of the U.S. economy; the robust upswing in Europe; the consolidation of the recovery in Asia; and a rebound from last year's slowdowns in emerging markets in Latin America, the Middle East and Europe. Activity in Africa is projected to rise further, and the countries in transition are expected to register a second year of solid growth, underpinned by a much better than expected performance in Russia.

Nevertheless, a number of countries continue to experience serious economic problems in some cases due to natural disasters and adverse movements in commodity prices while the HIV/AIDS pandemic poses a severe human and economic threat, particularly in sub-Saharan Africa and parts of Asia.

Among the advanced countries, the continued strong expansion in the United States played a critical role in supporting global activity at the height of the crisis, and policies to strengthen growth in both Europe and Japan also supported the recovery. Among most crisis countries, the determined adjustment efforts pursued by policymakers contributed to an early restoration of macroeconomic stability and a steady improvement in external confidence. The pursuit of sound macroeconomic policies in other major developing countries also played an important role in preventing the crisis from spreading further.

Inflation is projected to decline in most regions of the developing world, as well as in the transition economies. Although headline inflation rates have risen in response to higher energy prices and inflationary pressures are a concern in some cyclically advanced countries, including the United States and the faster growing countries in Europe, underlying inflation in most advanced economies remains relatively subdued.

Oil prices have increased...

Oil prices have increased sharply in the last year and half, rising from under US\$ 12 a barrel in the first quarter of 1999 to almost US\$ 27 a barrel in 2000. More recently, the upward pressure on oil prices has reflected more buoyant current and expected world demand growth as well as the limited capacity of oil producers, apart from a few major members of OPEC, to increase production. In the first half of 2000, prices fluctuated in the US\$ 25-US\$ 30 a barrel range, and continued to display considerable volatility (with day-to-day changes in spot prices of US\$ 1 a barrel not uncommon). As a result of the recent run-up in prices, as of early September, spot oil prices were at more than US\$ 33 a barrel. Such price growth has not been seen during the

Figure 1. Growth of world real GDP

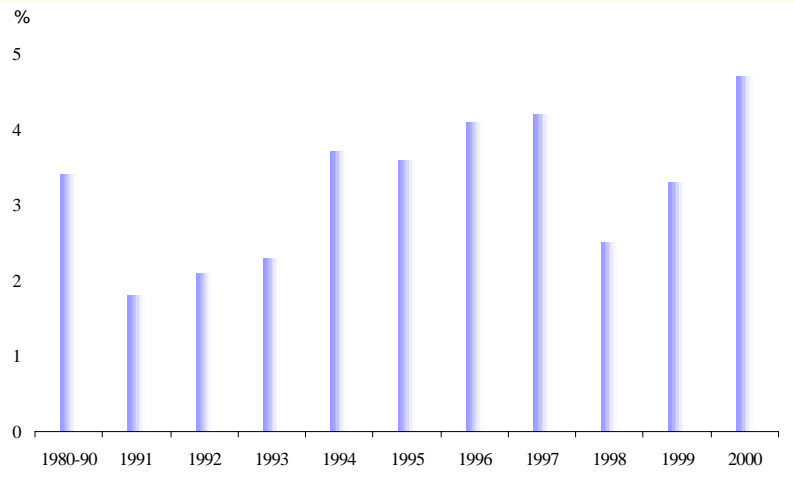


Figure 2. World inflation rate

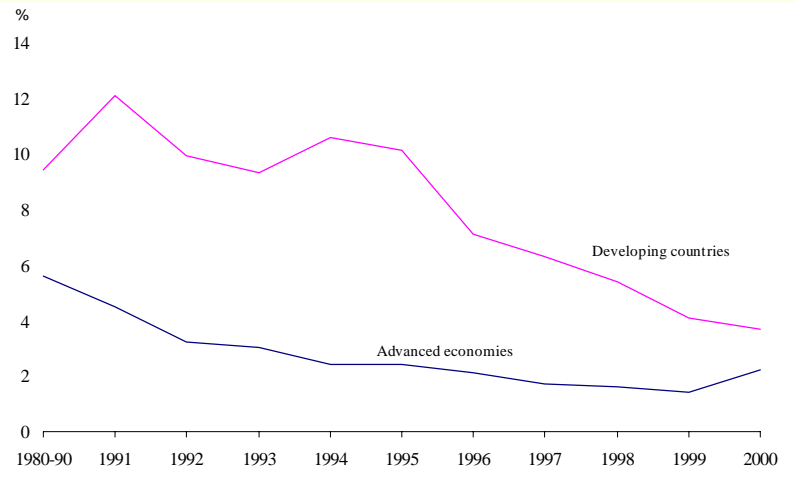
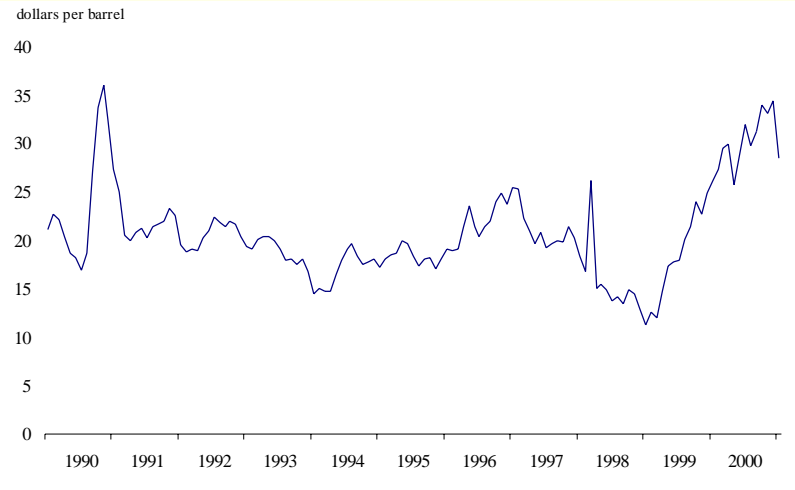


Figure 3. World market price of crude oil



last 10 years. Member countries of OPEC increased the extraction of oil during September-November, which resulted in a little decline in price.

North America

U.S. economic expansion has continued apace...

In the United States, the current economic expansion has continued apace. Following very rapid growth of 7 percent (annualized) in the second half of 1999, GDP growth moderated to 5 percent in the first half of 2000, accompanied by some signs of an easing in domestic demand growth. Inflation has been gradually trending upward, reaching 3.5 percent in July, mainly due to higher energy prices; core inflation has risen slightly, dampened by modest wage increases and strong growth in labor productivity, as well as by earlier declines in non-oil import prices. The U.S. expansion's remarkable strength and record longevity have owed much to the consistent pursuit of sound macroeconomic policies, as well as to the flexibility of the country's product and labor markets. Since 1995, this strong performance has been underpinned by strong growth in labor productivity, partially linked to rising investment in high technology, which has led some observers to conclude that the United States is now experiencing a "new economy" in which technology gains allow for an increase in productivity growth. This strong growth in productivity and the expectation that it will continue has helped attract substantial capital inflows into the United States, thereby contributing to the appreciation of the U.S. dollar and the widening current account deficit, and has underpinned the high level of equity market valuations, which in turn is associated with the decline in household saving. Despite the uncertainties associated with the new economy, it is clear that over the past three years both demand and supply have grown above the upper end of reasonable assessments of potential output growth. Against this background, between mid-1999 and early 2000, the Federal Reserve raised interest rates by a cumulative 1.25 percentage points, followed by a further 0.5 percentage point increase in May 2000.

The Canadian economy has continued to rebound...

In Canada, following a temporary slowdown as a result of the Asian financial crisis, the economy has continued to rebound strongly, aided by buoyant U.S. demand, rising commodity prices, and a competitive exchange rate. GDP grew by 5.1 percent (annualized) in the first half of 2000, driven by booming growth in exports and fixed investment. With most indicators suggesting that the economy still has considerable momentum, GDP growth is projected at 4.7 percent in 2000, before easing to 2.8 percent in 2001 due to the tightening of monetary policy and the anticipated slowing in U.S. growth. Unemployment is projected to decline below 6.6 percent, the lowest level since the mid-1970s, and the external current account is expected to move into modest surplus. Given the strength of demand, as well as signs that the economy may be rapidly approaching capacity limits, the Canadian authorities have appropriately sought to preempt inflationary pressures by raising interest rates in parallel with U.S. rates so far this year. Notwithstanding, core inflation is at the lower end of the 1 percent to 3 percent.

Europe

The expansion in the Euro area has gathered strength, with GDP growth rising to 3.8

Figure 4. World market price of copper

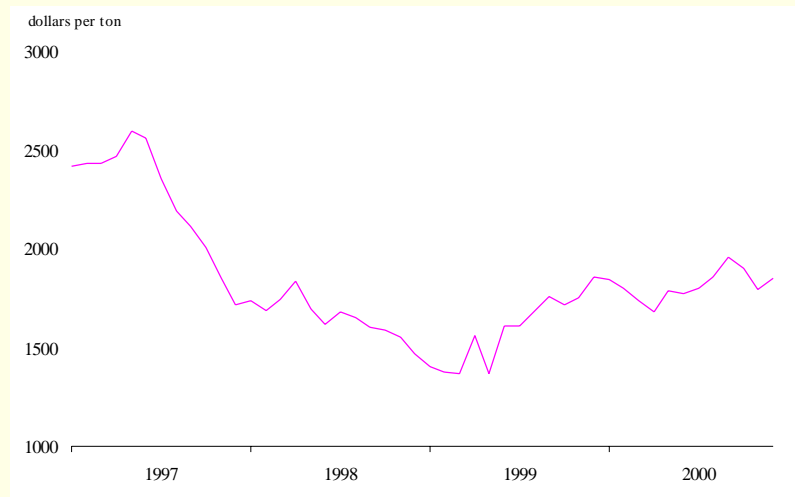


Figure 5. World market price of gold

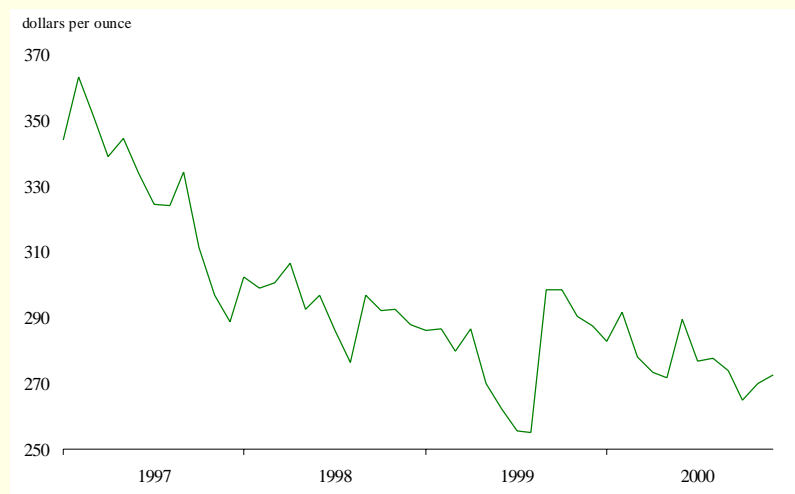


Figure 6. Commodity price index (1990=100)

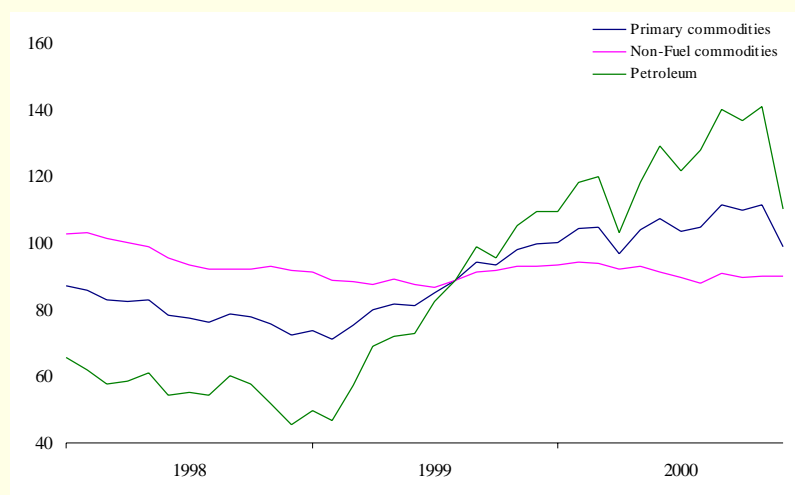


Table 1. Overview of the world economic outlook projections (annual percent change)

	Projections			
	1998	1999	2000	2001
World Output	2.6	3.4	4.7	4.2
Advanced economies	2.4	3.2	4.2	3.2
Major industrial countries	2.5	2.9	3.9	2.9
Other advanced economies	2.0	4.7	5.1	4.2
Developing countries	3.5	3.8	5.6	5.7
Countries in transition	-0.8	2.4	4.9	4.1
World trade volume (goods, services)	4.3	5.1	10.0	7.8
Imports				
Advanced economies	5.7	7.6	10.3	7.9
Developing countries	0.3	-	10.0	9.0
Countries in transition	2.5	-2.9	12.4	8.4
Exports				
Advanced economies	3.9	4.8	9.9	7.6
Developing countries	3.7	3.5	8.8	7.1
Countries in transition	6.5	5.0	10.1	6.0
Commodity prices				
Oil				
In SDRs	-31.2	36.5	52.0	-13.0
In U.S. dollars	-32.1	37.5	47.5	-13.3
Nonfuel				
In SDRs	-13.5	-7.7	6.4	4.8
In U.S. dollars	-14.7	-7.1	3.2	4.5
Consumer prices				
Advanced economies	1.5	1.4	2.3	2.1
Developing countries	10.1	6.6	6.2	5.2
Countries in transition	21.8	43.8	18.3	12.5
Six-month London interbank offered rate (LIBOR, percent)				
On U.S. dollar deposits	5.6	5.5	6.8	7.4
On Japanese yen deposits	0.7	0.2	0.3	0.5
On euro deposits	3.7	3.0	4.6	5.1

The expansion in the euro area has gathered strength...

percent (annualized) in the second half of 1999 and continuing at a similar rate in the first quarter of 2000, reaching 3.4 percent at the end of the year. This rise has been aided by resurgent export growth due to the strengthening global recovery and a highly competitive currency. During the remainder of the year, the expansion was sustained by high consumer and business confidence and the favorable external environment. The pickup in activity has been accompanied by a substantial decline in unemployment. CPI increased to 2.4 percent by midyear, due largely to rising oil prices and exchange rate pass through. Core inflation, at about 1.3 percent, has remained subdued, aided by moderate wage settlements, falling utility prices as deregulation and privatization takes effect, and, in some countries, cuts in indirect taxes. The euro has been quite volatile, hitting record lows against the U.S. dollar and most other major currencies in mid-May, and again in early September. By early September, the euro had depreciated over 15 percent in nominal effective terms since its inception in 1999, and is below the level that could be justified by medium-term fundamentals.

Nevertheless, substantial differences in underlying cyclical positions are likely to persist for a period. Most of the cyclically advanced countries continue to experience higher

than average inflation, rapid growth in domestic credit, sharply rising property prices, and, in Portugal, a large current account deficit. In some cases, particularly Ireland and possibly the Netherlands, relatively clear signs of overheating have emerged. While budgetary positions in these countries are in most cases in surplus, every effort should be made to save the fiscal windfalls arising from higher growth in order to avoid fuelling demand pressures.

The central challenge in the Euro area is to take advantage of the present cyclical upturn to decisively accelerate fiscal and structural reforms. Since 1993, spurred by the convergence requirements under Economic and Monetary Union (EMU), fiscal deficits have been substantially reduced in all Euro area countries, and the International Monetary Fund (IMF) staff projects that the area as a whole will be close to overall balance by 2003. This is a commendable achievement, but progress has slowed recently, and fiscal consolidation in some countries is not keeping up with the pace of the expansion. At the same time, most countries continue to face heavy tax burdens and high debt stocks, and are ill prepared to deal with the coming demographic shock from aging populations.

Asia

The rebound from the crisis of 1997–98 is continuing in Asia, with growth projected to rise from 6 percent in 1999 to more than 6.5 percent in 2000. The rapid recovery of output in 1999 was fueled by continuing monetary and fiscal stimulus, as well as external demand, supported by a recovery in prices of electronics—Asia is now the world's largest supplier of such equipment. Continuing demand for information technology goods is expected to help underpin the expansion, but private domestic demand is projected to become a more important force propelling regional growth in 2000, particularly in the countries most advanced in recovery, where fixed investment is increasing rapidly. Activity also continues to be buttressed by continuing robust growth in the region's two most populous economies, China and India.

Asia is the world's largest supplier of electronic goods...

Despite concern in financial markets about the pace of structural reforms, and more recent political uncertainties, growth in Indonesia is expected to accelerate to 4 percent in 2000, supported by firm oil prices, while activity in Korea is projected to moderate from its recent rapid pace to 8.7 percent in 2000.

A combination of expansionary fiscal policy and interest rate reductions enabled the People's Republic of China to weather the Asian financial crisis, maintain a stable exchange rate and sustain robust growth. The main challenge over the medium term is effective implementation of recently initiated reforms in state owned enterprises. Recent data indicate that China, the world's most populous economy, continues to grow at a robust pace. Real GDP growth is projected to increase to 7.5 percent in 2000. After 14 years of negotiations, China has reached bilateral agreements on the terms of its entry to the World Trade Organization (WTO) with most of the trade partners participating in accession negotiations, including the United States and the European Union. China's entry into the WTO, which will increase external competition in many areas, under-

China's GDP growth is 7.5 percent...

scores the need to accelerate reforms of state-owned enterprises and the banking system, whose financial situations remain difficult.

India's economic performance has been remarkable in recent years, despite the adverse effects of the regional crisis on exports and the more recent hike in world oil prices, and growth is projected to rise to around 6.7 percent this year, reflecting continued strength in the information technology sector and a rebound in agricultural production. In Japan, a modest recovery is under way, supported by strengthening corporate profitability and investment, particularly in the high technology sector. Over the coming year, the recovery is expected gradually to gather momentum, with GDP growth projected at 1.4 percent in 2000. But households remain reluctant to spend, due to declining incomes and to precautionary savings in response to higher unemployment.

Commonwealth of Independent States (CIS)

The Russian economy has proved much more buoyant than anticipated, as the benefits from higher world oil prices and a competitive exchange rate have started to be felt in the broader economy. Greater-than-expected Russian domestic demand and (in some cases) higher world energy prices are providing support for most of the rest of the Commonwealth of Independent States (CIS). The Russian economy is continuing its rapid recovery from the financial crisis of 1998. After expanding by 3.2 percent in 1999, real GDP growth accelerated further in early 2000 and is now above pre-1998 crisis levels. Investment and non-oil exports began to strengthen during 1999, followed more recently by increased consumption and imports. Rising real wages, reductions in arrears, and lessening use of barter all point to continued improvements in activity. Real growth is now forecast at 7 percent in 2000, much stronger than expected performance. Higher energy prices, import compression, and increasingly buoyant growth in non-energy exports have resulted in a strong external position. The central bank has been resisting the associated upward pressure on the exchange rate through large-scale intervention, and has found it increasingly difficult to sterilize such interventions. Little progress has been achieved in shutting down insolvent banks.

The revival of activity in Russia is particularly benefiting close trading partners, such as Ukraine. Indeed, Ukraine is expected to grow for the first time since the start of transition, but progress on structural reform remains slow. It will be important to ensure that the banking system is restructured in an effective manner, cash collection in the energy sector increased, and the privatization program proceeds transparently. Structural reforms are even less advanced in Belarus, where macroeconomic stability remains elusive, with inflation projected to remain in triple digits through 2000.

Elsewhere in the region, Kazakhstan, Azerbaijan, and Turkmenistan have received boosts from higher prices of energy and other commodities. In Kazakhstan the consequent improvement in the external position and recent discovery of significant additional oil reserves has led to significant repayment of external debt and to a diminished appetite for structural reforms. Other countries in the region are less well placed to benefit from

Russia: from crisis to growth...

Ukraine is expected to grow for the first time since the start of transition...

Figure 7. Consumer prices of countries in transition

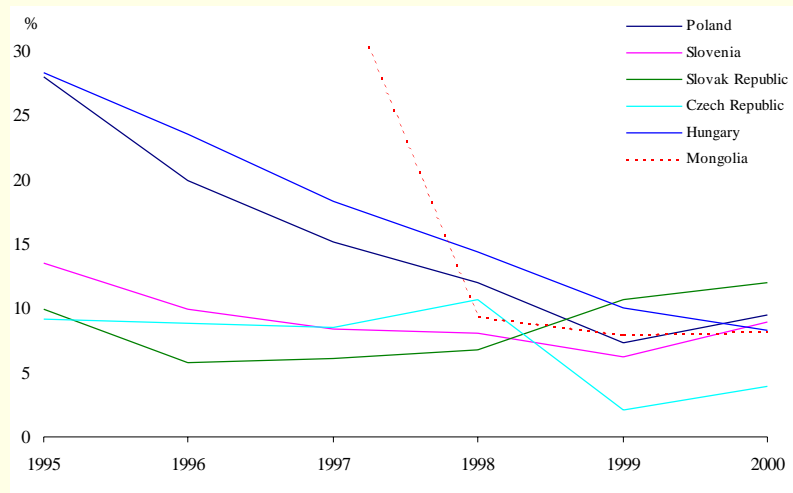
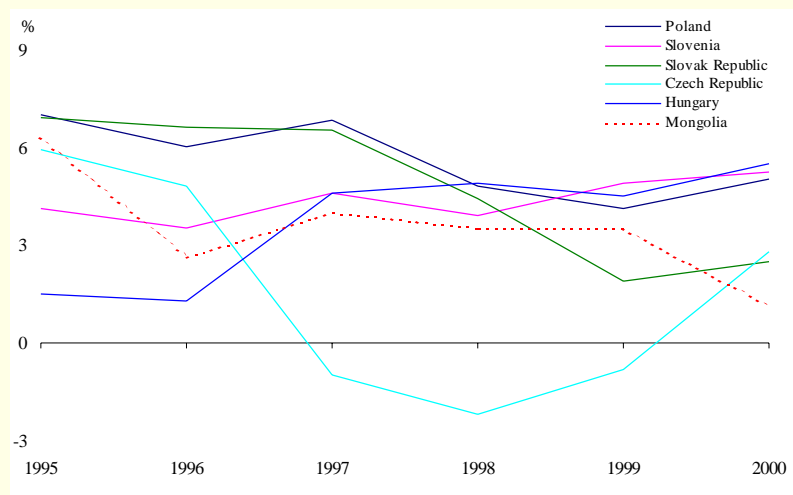


Figure 8. Real GDP of countries in transition



higher commodity prices, and many continue to suffer from more fundamental weaknesses. In particular, high levels of external debt and the slow pace of structural reforms continue to hobble economic activity in Georgia, the Kyrgyz Republic, Moldova, and Tajikistan.

Latin America and the Caribbean

*Economic position
has recuperated...*

Latin America and the Caribbean are continuing to recuperate from the emerging market crises of 1997–98. Growth is being fueled by buoyant exports (particularly to the United States), as well as a recovery in consumer confidence and spending that is occurring despite recent falls in stock prices. Real GDP, which was basically flat in 1999, is expected to expand by a healthy 4.25 percent in 2000, while inflation is projected to remain quiescent and in single digits in most countries. The current account deficit for the region (as a ratio of GDP) is expected to narrow somewhat in 2000, reflecting healthy export volumes and some improvement in the terms of trade coming from higher commodity prices. These aggregate trends, however, mask important differences across countries. Several countries, such as Brazil, Mexico, and Chile, are exhibiting more rapid growth than other countries in the region, particularly those where economic and political uncertainties are most acute. The region's needs for external funds remain sizable, particularly once debt amortization and the relatively closed nature of many of the economies are taken into consideration, although vulnerability indicators have improved, in part because of increases in (relatively stable) foreign direct investment flows, and reserves are not currently under pressure. Growth in Brazil continues to recover, led by exports, which surged as a result of the depreciation in early 1999. But rising consumer spending and investment have also contributed more recently. Real GDP is now projected to rise by 4 percent in 2000 and 4.5 percent in 2001, while the current account deficit should fall significantly.

Middle East and Africa

*Middle Eastern and
African countries
have been shaped
importantly by oil
prices...*

In recent years, economic developments in many Middle Eastern and African countries have been shaped importantly by external factors, including changes in commodity prices and growth in export markets. During 1999–2000, the rebound in world oil prices, as well as recent increases in OPEC oil production quotas, has boosted economic activity and prospects for most of the oil-producing countries in the Middle East and Africa. The rise in oil prices and oil output have led to stronger fiscal and external balances in these countries and also to improved confidence and greater domestic demand. In the Middle East, economic growth among the Gulf oil exporters is projected to turn positive 4.8 percent in 2000 and remain so in 2001. Annual output growth in Africa is projected at 3.4 percent in 2000, spurred by rebounds in South Africa and the oil-exporting countries, as well as continued strength in some of the smaller economies.

1.2. BRIEF REVIEW OF THE DOMESTIC ECONOMY

Real Economy

During the year 2000 the Mongolian government conducted a tight monetary and cost-saving fiscal policy aimed at providing macroeconomic stabilization, export promotion, establishment of an economic system based on the private sector, and an increase in the economic growth rate by intensive structural reform. Therefore, the policies aimed at promoting domestic and foreign investment, and deepening of privatization process were accomplished.

Main objective

In 2000, the consumer price index (inflation rate) fell to 8.1 percent level per annum, the exchange rate of the Togrog was relatively stable, the budget deficit decreased by 36.2 percent, industrial sector output increased by 7.5 percent, and the number of registered unemployment decreased by 3.0 percent - signs that the economy has shown a stabilization trend.

The preliminary GDP growth rate was at 1.1 percent due to some negative consequences in the agricultural sector: 1) due to relatively severe weather conditions and snow storms, 3.5 million head of livestock died; 2) the volume of harvest decreased as a result of drought in June and July, 3) the total area under cultivation declined as a result of shortage of funds (see Box 1."GDP and seasonal fluctuation of bank lending").

GDP growth rate was estimated at 1.1 percent...

The trade balance deficit reached a level of 13.4 percent of GDP, and foreign reserves increased to 16.1 weeks of import cover. The increase in the trade deficit in comparison to the preceding year and decrease of personal transfers were the main contributing factors to the increase of current account deficit. World market prices for copper and gold, Mongolia's main export commodities were relatively stable. The average export price of one ounce of gold was US\$ 279.8 in 1999 and US\$ 277.0 in 2000. The average price of copper has changed from US\$ 1587.4 to US\$ 1814.8 per ton.

The average price for copper on the world market increased by US\$ 227.4 per ton...

The prices of raw cashmere on the domestic market fluctuated from Togrog 30 thousand up to Togrog 45 thousand per kilogram. However, the world market price of Mongolian processed cashmere increased from US\$ 100 to US\$ 110. The high level of the domestic market price for raw cashmere was a heavy burden for local cashmere processing factories.

During the reporting year, within the tax policy framework the income tax estimated for the state budget was higher than budgeted by some enterprises such as MIAT, Mongolian Telecommunication Company, APU, Spirit and Honey Ltd, and Trade and Development bank. As a result of this development, tax revenue increased by 51.2 percent in comparison to the previous year, and the budget deficit fell by 4.6 points to 6.0 percent of GDP.

Tax revenue increased by 51.2 percent ...

The issuance of Treasury bill was mainly aimed to cover the wage and pension fund

The government issued Treasury bill in the amount of Togrog 11.1 billion...

overdue transfers and temporary budget deficit by domestic resources. The Government for the first time issued 113,100 pieces of short-term Treasury bills amounting to Togrog 11.1 billion, which were auctioned, to the public through the Mongolian Stock Exchange (MSE).

The Asian Development Bank (ADB) has agreed to increase its loan to US\$ 54 million per year to accelerate better economic growth and poverty reduction. As an outcome of the seventh annual meeting of donor countries held in Ulaanbaatar on June 21, 1999, US\$ 320 million in grant funds was promised. It was 60 percent fulfilled by the end of 2000.

During the reporting period, research was completed to process the reserves of nickel mine at Tomortei Ovoo of Baruun Urt, Sukhbaatar aimag (province) using industrial technology. Research work is now taking place to explore the water reserves. If the water reserves are determined to be sufficient, an ore-dressing factory will be built with 100 percent foreign investment from China. According to the preliminary estimation, the average capacity of this mine is 64 tons of nickel ore per year, from which half will be pure nickel. Exploration works is also being done on gold and copper mine at Oyut-tolgoi of Khan-Bogd, Omnogobi aimag, and prior estimation shows large reserves of mineral resources. Oil exploration was reduced by 8.9 percent in comparison to the previous year.

President of the Russian Federation V.V.Putin visited Mongolia...

The president of the Russian Federation, Mr. V.V. Putin's visit to Mongolia on October 26, 2000 was an important step in our countries' political and economic cooperation. Within this summit framework, the parties held discussions and positive resolutions were issued to implement it in following fields: project on conducting a natural gas pipeline through Mongolian territory, the current debt to Russia, ensuring a secure electric power supply system for Mongolia, reduction of Russian import customs duties on traditional Mongolian export commodities and non-tariff restrictions. In addition, a "Ulaanbaatar Memorandum" was signed by both presidents. This document reflects codes and guidance for expansion and development of Mongolian and Russian Federation cooperation in the 21st century.

Prices

Inflation rate reached 8.1 percent ...

At the end of 2000, the annual rate of inflation was 8.1 percent, which is 7 points lower than the targets stated in the State Monetary Policy Guidelines. Reduction of crude oil extraction and its shortage due to high demand caused the increase in the price of oil and oil products in Mongolia. Although the Government increased the size of import duties and the prices for housing, heating, electricity, transportation, and communication were increased at the end of the year, these movements were not reflected in consumer price index in 2000. During the second half of the year prices of food items declined and deflation was recorded.

The consumer price basket is comprised of 205 commodities. Prices for 48.8 percent of

Figure 9. Real GDP growth rate

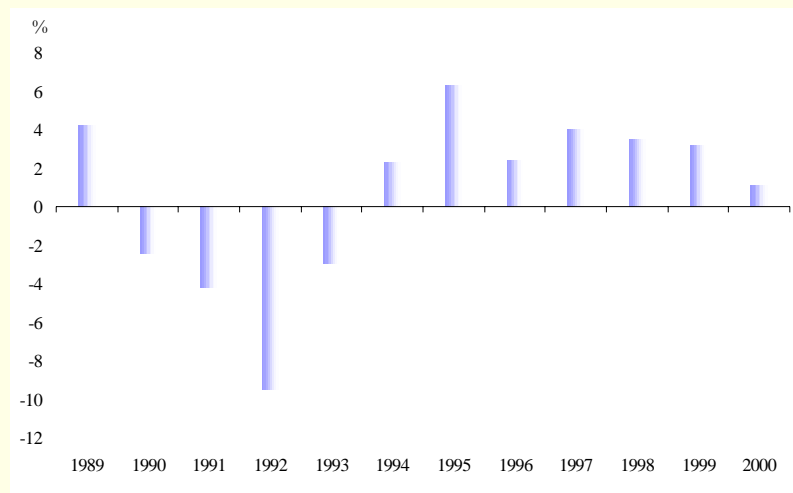


Figure 10. Composition of GDP (by sector)

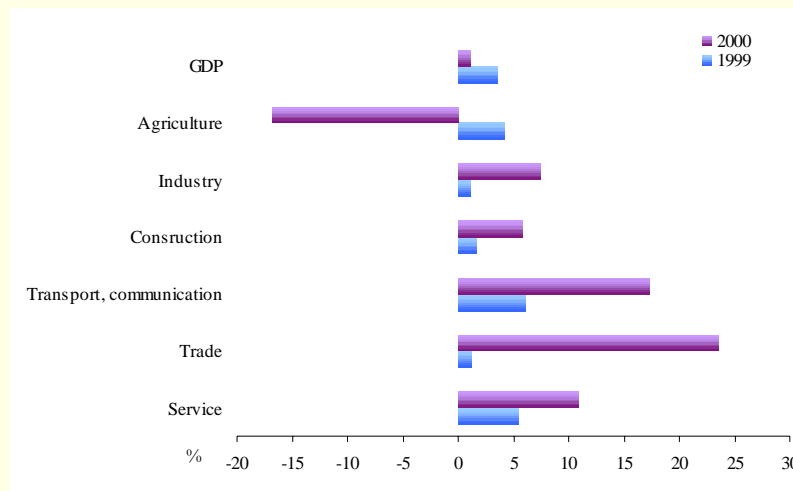
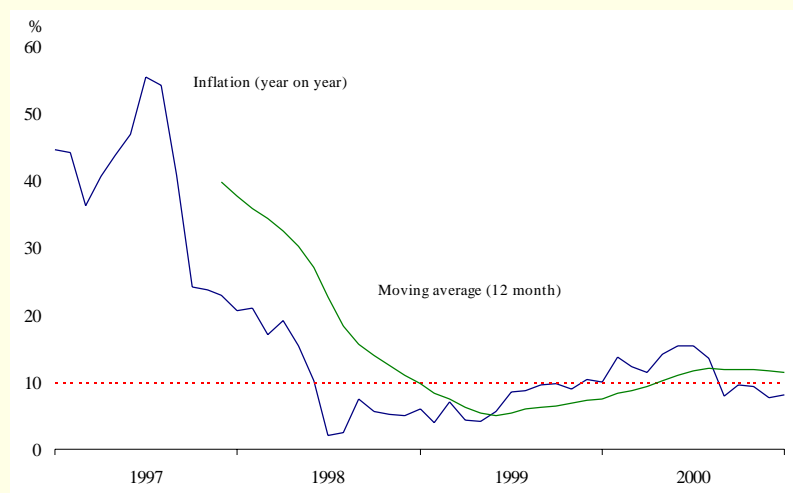


Figure 11. Inflation rate (CPI)



The price for meat and meat product increased substantially in April and May ...

these commodities increased, prices for 28.3 percent were not changed, and prices for the remaining 22.9 percent decreased. Prices for pure water increased by 67.8 percent, heating prices increased by 2.5 times, and prices of coal, fuel, and wood increased by 10.4 percent. Therefore, it caused the upward adjustment in price levels for housing, fuel, electricity by 32.0 percent, with the highest share in the consumer basket at 10.4 percent. However, the price of household items increased only by 2.7 percent having a 4.0 percent share in the basket. However, the price of food items, with the highest share (58.0 percent) of the basket, increased by 5.2 percent.

The consumer price index increased by 17.4 percent during the first half of the year as a result of continuous price increases in food items. In particular, prices of meat, meat product, potato, and vegetables have seasonal price fluctuations, which also were recorded in 2000.

Industry

Total industrial output increased by 2.4 percent from previous year ...

During the reporting year, the industrial sector employed 62.5 thousand people and produced 169 commodities with total sales of Togrog 574.2 billion (at current price). Total output increased by 2.4 percent or Togrog 5.7 billion reaching Togrog 246.7 billion (at 1995 prices) due to the increase in production of mineral exploration (6.1 percent) and electricity, thermal energy and steam (3.0 percent). In 2000, the percentage share of some sub-sectors in total industrial output increased in comparison to previous years, such as the share of mining of metal ore by 1.2 points, electricity, thermal energy, and steam by 0.1 points, and tanning and dressing of leather, manufacturing of leather product and footwear by 0.2 points. However, the percentage share of processing sub-sectors decreased by 2.0 points, manufacture of textiles by 1.6 points and manufacture of food products by an average of 0.5 points.

As stated in the statistical bulletin of the National Statistical Office of Mongolia (NSO), in 2000, 357.8 thousand tons of copper concentrate, 210 thousand tons of fluorite concentrate were produced, as well as 65.5 thousand barrels of oil, and 11.8 tons of gold.

Production of 92 commodities increased in 2000 in comparison to the previous year, such as electricity, thermal energy, pure water, coal, gold, fluorspar, clay brick, books, newspapers, bread, bakery products, disposable syringes, and others. The production of 57 commodities declined including crude oil, jewelry, cement, lime, candles, wheat flour, milk, dairy products, beauty soap, and others. However, the remaining 20 commodities were not produced at all such as black and white TV-set, ceramics, canned meat and others. The share of Ulaanbaatar City in total sales of industrial production is 46.9 percent, followed by Orkhon aimag's 32.5 percent, and Central aimag's 8.2 percent.

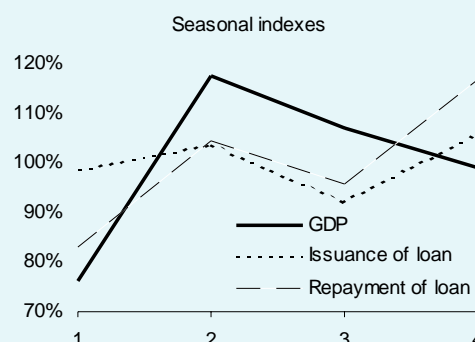
Agriculture

At the end of 2000, the livestock count showed the total number of livestock reached 30.1 million head, of which 13.8 million are sheep, 10.2 million goats, 3.1 million cattle,

Box 1. GDP and seasonal fluctuation of bank lending

Due to drastic weather conditions, the Mongolian economy has a distinguished seasonality characteristic. It is reasonable, therefore, to identify whether or not there is seasonality in the banking system. In order to determine seasonality of certain indicator, the seasonal indexes are calculated using the decomposition method.

The value on any time series can be simultaneously defined by the following three types of fluctuations: the cyclical adjustment factor, the seasonal adjustment factor and irregular or random variations. The trend indicates long-term tendency of growth or reduction. A fluctuation of trend is a cyclical fluctuation, which results mainly from cyclical changes in the economic pattern. A change that repeatedly occurs from year to year is defined as seasonal fluctuation. When the above mentioned three types of fluctuations are eliminated, then the dynamic changes of the time series are determined by irregular or random fluctuations.



In order to calculate the seasonal indexes, data from 4-7 years is needed at a minimum. Furthermore, at the first stage of the calculation of the seasonal indexes, the trend or the regression equation will be determined, and subsequently the indexes should be calculated using either regression methods or on the base of empirical data. While GDP has grown steadily over the past few years, the issuance and repayment of loans have declined (during 1996-1999 period) due to the difficulties experienced by the banking system. Therefore, using adjusted data on GDP for the 1993-1998 period, raw data on the issuance and repayment of loans, and total amounts of loans outstanding for the period 1994-1999, the seasonal indexes were calculated as follows.

To determine whether GDP, issuance and repayment of loans and outstanding amounts of loans have fluctuated seasonally, the regression with seasonal dummy variable has been estimated. The results are shown in the table below.

GDP - Gross Domestic Product LP - Repayment of loan LI - Issuance of loan
 LO - Loan outstanding D - Seasonal dummy variable

From the table above, it can be inferred that the seasonal dummy variables for GDP and the repayment of loans are statistically significant to explain the variables. In contrast, seasonal dummy variables for the issuance of loans and outstanding loans are not statistically significant. As the agricultural sector accounts for one third of GDP and a majority of the manufacturing sector uses

	GDP		LP		LI		LO	
D1	34375.1	(20.4)	21744.9	(7.9)	27860.7	(8.4)	59173.3	(11.9)
D2	53921.6	(32.0)	27264.7	(10.0)	29259.0	(8.8)	63216.5	(12.7)
D3	50676.9	(30.1)	24997.9	(9.1)	25980.3	(7.8)	64212.4	(12.9)
D4	46694.9	(27.7)	30499.5	(11.1)	29880.6	(9.0)	65008.4	(13.1)
R ² (adj)	0.73		0.10		-0.11		-0.10	
S.E	4452.47		6706.74		8136.72		12164.09	
Sample (N.O)	28.00		24.00		24.00		24.00	

Note: Figures in the brackets show t statistics and if value of t statistic is more than 2 then variable is assumed to be statistically significant

agricultural raw materials in the production process; fluctuations in GDP clearly follow agricultural seasonality. The peak in the growth of GDP occurs in the second quarter, while for loan repayment it occurs in the fourth quarter. Moreover, the

lowest growth of both GDP and loan repayments take place in the first quarter. It may be inferred that due to the liquidity problems of certain banks, and the bankruptcy of others, the seasonal fluctuations regarding the issuance of loans and outstanding loans may be not detected.

Total number of livestock reached 30.1 million heads ...

2.6 million horses, and 322.3 thousand camels. The total number of livestock decreased by 10.3 percent or 3.5 million heads compared to the previous year. The followings is a view of livestock decrease by types of husbandry: camels by 9.4 percent or 33.3 thousand, horses by 16.2 percent or 514.0 thousand, cattle by 19.3 percent or 737.0 thousand, sheep by 9.1 percent or 1,384.3 thousand, goats by 7.3 percent or 803.0 thousand head. Out of total female livestock, 70.7 percent or 10.0 million heads have generated new offspring and 82.9 percent or 8.3 million of young livestock have grown up. Losses of livestock due to natural disaster and foot and mouth disease, the exposure to which was mostly in the countryside area, were 10.4 percent or 3.5 million of total livestock. The structure of total losses was as follows: sheep 40.6 percent, goats 29.5 percent, cattle 18.1 percent, horses 11.3 percent, and camels 0.5 percent.

The cultivated area declined was due to shortage of funds ...

In 2000, countrywide 209.3 thousand hectares of land was cultivated, which is 29.4 percent lower than the previous year. Out of total cultivated area, 194.7 thousand hectares were under wheat, 7.9 thousand hectares under potatoes, 5.4 thousand hectares under vegetables, and 0.8 thousand hectares under fodder. The decline in cultivated area was due to a shortage of funds. During the reporting year, even though the yields of staple agricultural crops per hectare increased by 19.7 percent, total crops decreased due to the decline in cultivated land and extremely hot weather in June and July of 2000. The Mongolian Ministry of Environment has determined the excessively hot summer and winter disaster as exclusively dangerous circumstances. The total harvest/crops was comprised of 142.1 thousand tons of wheat, 58.9 thousand tons of potato, and 44 thousand tons of vegetables. Also 635.2 thousand tons of hay harvest and 11.1 thousand units of handmade fodder were prepared. As a result of "Green Revolution" which was developed recently, fruit-bearing areas increased by 113.0 percent in comparison to the previous year, and the fruit harvest increased by 20.7 percent. The share of sea-buckthorn in total fruit harvested is 56.7 percent.

Construction

Total construction and repair work completed declined by 14.4 percent ...

In the reporting year, all construction companies completed construction and capital repair work valued at Togrog 67.1 billion and turned over for operation real estate projects valued at Togrog 74.1 billion. In the construction sector, 10.8 thousand people were employed, which is higher by 5.6 percent or 600 people in comparison to the previous year.

Mongolian construction companies completed construction and capital repair work valued at Togrog 49.2 billion, which is lower by 3.5 percent or Togrog 1.8 billion from the level of 1999. A majority of the work (68.2 percent) was undertaken by private or privatized companies, 19.0 percent was completed by state owned enterprises, and 12.8 percent by joint venture companies. However, the construction work completed by foreign construction companies declined by 33.9 percent and totaled to Togrog 17.9 billion.

In 2000, construction projects completed and turned over included the following: a new

Figure 12. Consumer price index (by structure)

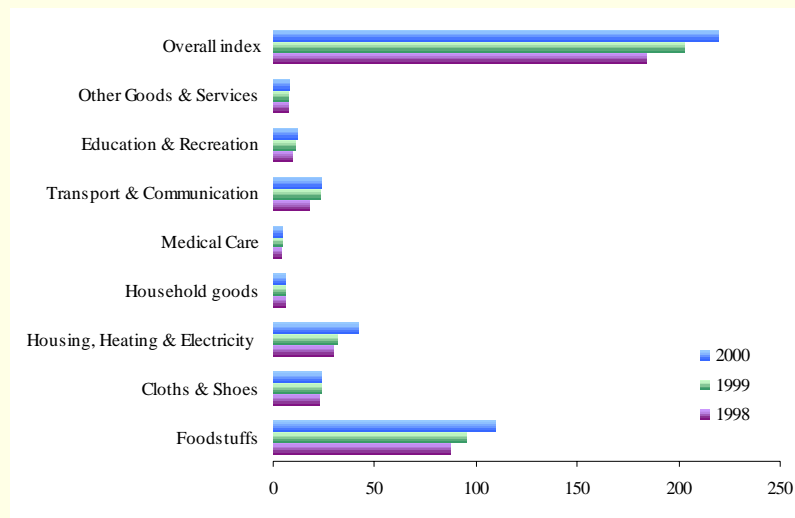


Figure 13. Gross industrial output growth (at 1995 prices)

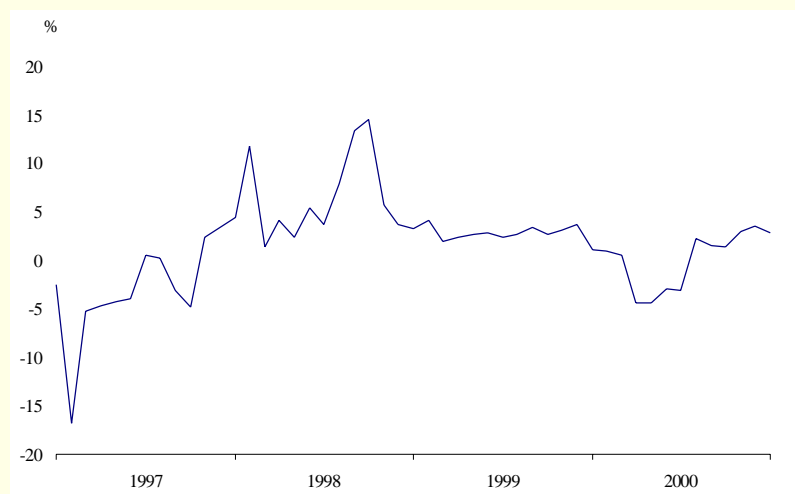


Figure 14. Gross industrial output (by structure)

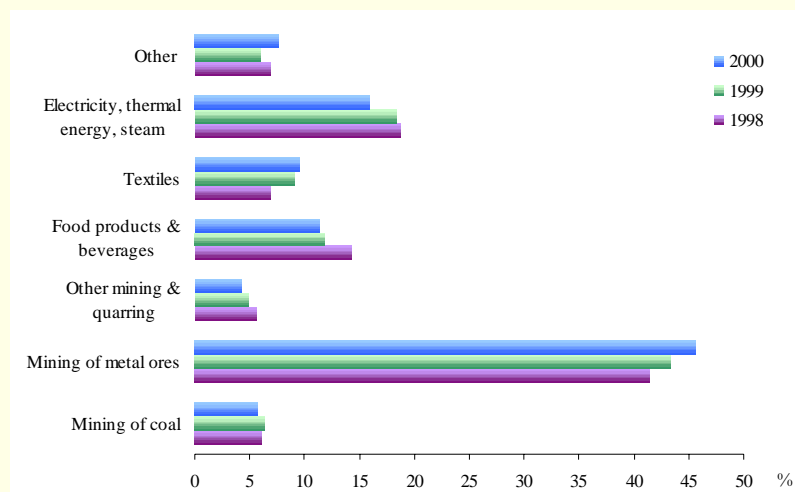


Table 2. Annual GDP growth (at constant prices)

	1996	1997	1998	1999	2000
Gross Domestic Product	2.4	4.0	3.5	3.2	1.1
Industry	-3.6	-3.3	4.2	1.1	7.5
Agriculture	4.4	4.3	6.4	4.2	-16.8
Construction	2.6	-2.7	-1.1	1.6	5.8
Transport, communication	11.2	5.8	7.4	6.1	17.4
Trade	0.3	17.1	-3.1	1.3	23.6
Service	7.3	-0.6	1.7	5.4	10.9

35 kilowatt electricity line and sub-station in Ikh-Tamir-Ondor-Ulaan of Arkhangai aimag and Ikh-Khet Altan Shiree; Erel Printing Factory; 206 apartment units in Dundgobi, Dornod and Ulaanbaatar; 312 kilometers of paved road repair in Ulaanbaatar-Darhkan-Altanbulag; concrete bridge, hospital building, apartment complex, factories, and trade center buildings.

Transportation and Communication

In 2000, 10.6 tons of goods were transported, and 93.0 million passengers were carried using all different types of transportation. Goods transported increased by 11.6 percent or 1.1 million tons; passengers carried increased by 6.2 percent or 5.4 million persons from the previous year. During the reporting year, out of total goods transported, rail freight accounted for 86 percent, and auto transport accounted for the remaining 14 percent. However, 95.1 percent of passengers were carried by auto, 4.6 percent by rail, and 0.3 percent by air transport. Rail freight increased by 11.7 percent, rail passenger transport by 4.0 percent; auto freight by 11.3 percent and auto passenger transport by 6.1 percent; and airfreight by 5.5 percent and air passenger transport 13.0 percent. One third of passengers were carried by international and two thirds by domestic flights, 97.7 percent of passengers carried by domestic and remaining 2.3 percent by international rail transport.

During the reporting year, total transportation sector revenue increased by 28.3 percent from 1999 reaching Togrog 102.0 billion. Of this amount, rail transport revenue accounted for 46.9 percent, followed by air transport 38.9 percent, and auto transport 14.2 percent.

In 2000, the communication sector generated Togrog 31.6 billion in revenue, of which Togrog 7.7 billion was from individuals. Total revenue increased by 31.6 percent or Togrog 7.6 billion mainly due to the expanded operation of Mongolian Telecommunication Company, Mobicom, and Skytel. In this sector 23.3 thousand people were employed, which was higher by 2.2 percent from the previous year.

*Transportation sector
total revenue reached
Togrog 102.0 billion*

...

Labor

According to the Year 2000 Population and Housing Census preliminary results, the number of people aged 15 and above is 1.5 million, of which 67.9 percent are economically active and the remaining 32.1 percent are non-active. 75.3 percent of economically active population are employed and 24.7 percent are unemployed. The total number of economically non-active population is 489.9 thousand, of which 171 thousand people are engaged in university and other specialized schools. 53.4 percent of the total number of economically active population and 70.8 percent of the non-active population reside in urban area. 62.7 percent of economically non-active population are male. However, 58.2 percent of students, 67.0 percent of pensioners, 44.5 percent of handicapped, and 85.8 percent of house workers are women.

Population and housing census was completed...

Unemployment

During the reporting year, 38.6 thousand people were registered as unemployed at aimag and Ulaanbaatar City labors bureau that is lower by 3.0 percent or 1.2 thousand people. Of the total, 16.5 thousand were newly registered in 2000. The structure of unemployment by level of education is as follows: 5.5 percent with university education, 12.6 percent with specialized secondary education, 24.3 percent skilled workers, 24.2 percent with secondary school education, 24.4 percent with non-completed secondary education, 6.2 percent with primary education, and 2.8 percent with no formal education. 53.8 percent, or 20.7 thousand, of total unemployed were women. The percentage share of women to total number of unemployed declined by 0.9 points from the level of the previous year. The age group structure of unemployed is as follows: 37.1 percent between the age of 25-34, 28.8 percent between the age of 35-44, 27 percent between the age of 16-24, and 7 percent between the age of 45-59.

14 thousand people newly entered into work ...

In 2000, 14 thousand persons entered into work, or 36.4 percent of total registered unemployed. Out of this 5.9 percent went to work at state enterprises, 10.5 percent were in government organizations, 47.2 percent were in companies, 6.8 percent in cooperatives, and the remaining 29.6 percent were in other sectors.

On average, there were 354 unemployed people per 10,000 people of the working age group.

1.3. GOVERNMENT BUDGET

Budget current balance improved and total deficit declined ...

The State Budget for 2000, approved by Parliament in its August 2000 extraordinary session, estimated the budget deficit to be 6.2 percent of GDP and current budget revenue to be Togrog 26.5 billion or 2.6 percent of GDP. In 2000, based on preliminary data, the budget revenue plan was over budget by 101.9 percent and budget expenditures by 93.8 percent. In 1999, the budget current balance deficit as a percentage of GDP was 0.3 and the total deficit was 10.6 percent of GDP. However, in 2000, based on preliminary data, the budget current balance improved, the share of current account revenue reached 3.3 percent of GDP, and the total deficit declined by 4.6 percent to 6.0 of GDP from the previous year level. The budget deficit was financed by foreign resources.

Budget Revenue

New amendments were made in the law...

During the reporting year, the following goals were introduced in order to provide a stable source for budget revenue: to widen the base of tax income, to reduce the overall tax burden through tax policy, to eliminate distortions in tax system, and to introduce a simplified system of income tax. Some of these measures were not implemented during the year, but some amendments were made in the following laws: Law on Value Added Tax, Law on Excise Tax, Law on Individual Income Tax, Law on Revenue Tax of Business Entities and Organizations and others. These amendments will be applied starting January 01, 2001. Also the Law on Real Estate Tax was processed and approved by Parliament. According to this law, 0.6 percent of total value is imposed on all entities financed by central and local budget on real estate, other than their immovable properties, apartment, and public used buildings.

Share of current revenue in total revenue increased by 4 points ...

The preliminary data shows that 97 percent of total budget revenue accounts for current revenue and 3 percent for capital revenue and grants. The share of current revenue in total budget revenue increased by 4 points from the level of previous year. Also income tax revenue to budget reached Togrog 74 billion, which is 21.3 percent higher than the estimate.

Budget revenue from export oriented enterprises was higher in 2000 than the previous year. For example, revenue from Erdenet Copper Mine was Togrog 2.6 billion and from Gobi Cashmere Factory Togrog 3.0 billion.

In 2000, budget revenue from Value Added Taxes (VAT) were Togrog 74.9 billion, which was 96.5 percent of the budget estimate. Moreover, some amendments were made to the law such as increasing the VAT percentage to 15 percent. The additional revenue will be transferred and allocated to central and local government accounts.

The Parliament session of February 3, 2000 amended the Law on Excise Tax to abolish the excise tax imposed on imported and domestically produced beer. Domestic excise tax revenue increased by 37.5 percent and reached Togrog 15.4 billion. However, im-

Figure 15. Budget deficit (percentage of GDP)

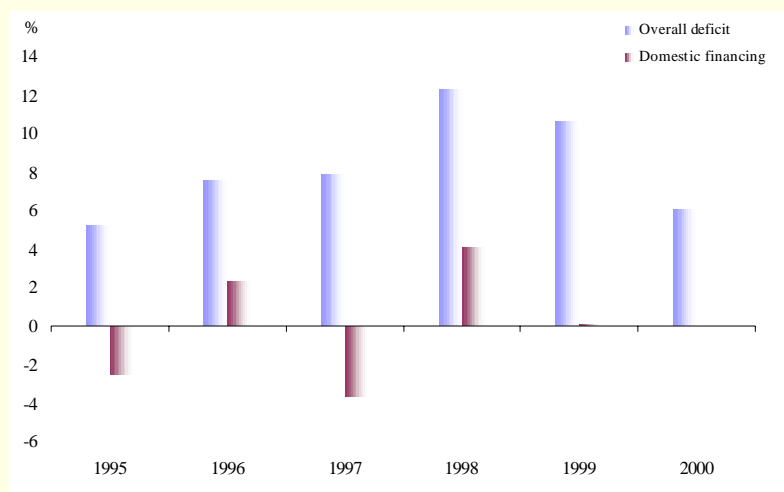


Figure 16. Budget revenue and grants

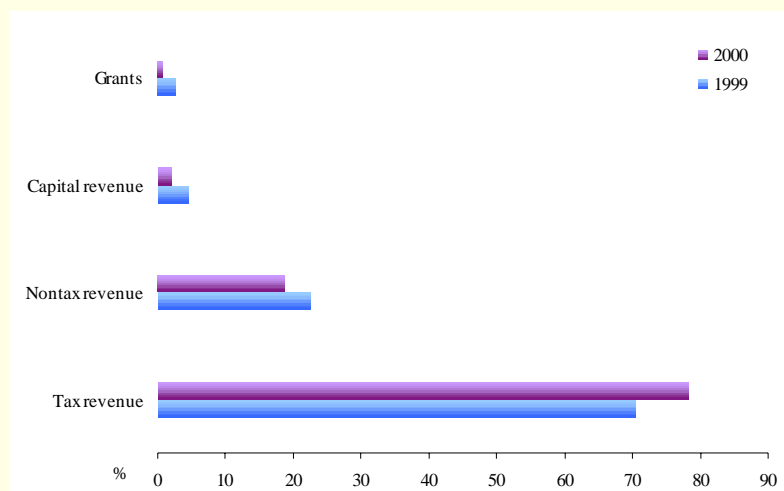
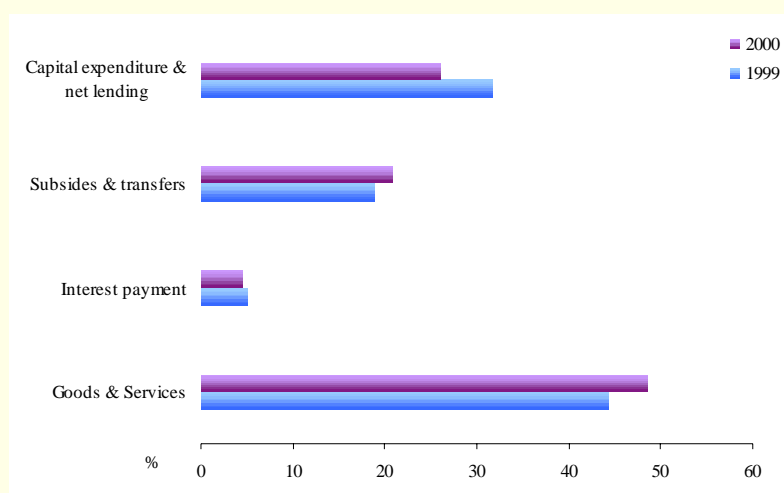


Figure 17. Budget expenditure and net lending (by structure)



Domestic excise tax revenue increased by 38 percent ...

port excise tax revenue was Togrog 3.1 billion, which is lower by Togrog 0.6 billion in comparison to the previous year. The total revenue from privatization to budget declined Togrog 4.7 billion from 1999 to Togrog 7.0 billion. According to preliminary data, the composition of budget revenue was as follows: tax revenue 78.3 percent, non-tax revenue 18.7 percent, capital revenue 2.1 percent, and grants 0.9 percent.

Budget Expenditures

The policy aimed at financing most required needs were continued ...

In 2000, the government continued to conduct its policy action for the purpose of improving the structure of budget expenditures, reducing expenses, eliminating needless financing, and thus financing only the required social and economical needs.

The structure of budget expenditures was comprised of: wages, goods and services 48.6 percent, interest payment 4.5 percent, subsidies and transfers 20.8 percent, and capital expenditures and net lending 26.1 percent. The state budget condition improved relatively and the size of budget investment increased by 23.4 percent to Togrog 24.3 billion.

Togrog 30.1 billion treasury bills were issued...

In 2000, the Government issued and auctioned treasury bills with a total value of Togrog 30.1 billion aimed to create certain resources for the budget, to ensure timely pension payments, to reduce the local budget debt, and to include into circulation all available funds in the money market. The Government also made treasury bill interest payments with a value of Togrog 1.3 billion.

According to preliminary data, 92.4 percent or Togrog 360.3 billion of expenditures requiring budget financing were covered. The expenditure financing was lower than estimated due to capital expenditures financed by domestic and international resources. Foreign loan utilization decreased by Togrog 30 billion because of time delay in payment document.

Current expenditures were higher by 1.8 percent ...

State central budget current expenditures fulfillment was higher by 1.8 percent, of which pensions, subsidies from the central budget to the pension fund and local budgets, benefits and other social expenditures were fully covered as budgeted. The structure of budget expenditures has not changed much during this decade thus proving that the structural reform had not been introduced. Therefore the structural reform is one of the very important issues in this area.

Table 3. General government budget

	1999 actual	2000 projection	In billions of togrog	
			2000 actual ¹	Changes of actual
Total revenue & Grants	266.4	343.9	350.2	83.8
Current revenue	247.8	323.6	339.7	91.9
Tax revenue	181.2	248.5	274.1	92.9
Income tax	39.0	61.1	74.1	35.1
Social security contributions	29.8	36.5	38.7	8.9
Value added tax	60.4	77.6	75.0	14.6
Excize tax	26.7	31.4	35.7	9.0
Customs duties	9.0	22.6	31.9	22.9
Other tax	16.3	19.3	18.7	2.4
Nontax revenue	66.6	75.1	65.6	-1.0
Capital revenue	11.7	12.3	7.5	-4.2
Grants	6.9	8.0	3.0	-3.9
Total expenditure	364.6	440.3	412.9	48.3
Current expenditure	250.8	297.0	305.0	54.2
Goods and services	167.5	194.4	200.8	33.3
Wages and salaries	63.5	83.2	84.5	21.0
Other goods services	104.0	111.2	116.3	12.3
Interest payment	18.1	19.9	18.5	0.4
Subsidies and transfers	65.2	82.7	85.7	20.5
Subsidies	0.7	0.7	0.6	-0.1
Transfers	64.5	82.0	85.1	20.6
Capital expenditure & Net lending	113.8	143.3	107.9	-5.9
Capital expenditure	38.9	53.6	45.2	6.3
Lending (net)	74.9	89.7	62.7	-12.2
Current balance	-3.0	26.6	34.7	37.7
Overall balance	-98.2	-96.4	-62.7	35.5
Financing	98.2	96.4	62.7	-35.5
Foreign, net	93.7	94.7	70.6	-23.1
Project loans	86.9	93.0	63.0	-23.9
Cash loans	16.5	17.5	13.3	-3.2
Amortizations	-9.7	-15.8	-5.7	4.0
Domestic, net	4.5	1.7	-7.9	-12.4

¹ Preliminary

1.4. BALANCE OF PAYMENTS

The improvement of global economic and financial conditions and the recovery of regional crisis-hit countries have led to growth in grant and capital flows into developing and transition economies. The world market prices of some raw materials increased, and this rise is expected to be sustained. The exchange rate of US dollar against major currencies appreciated. All these factors had a positive impact on the Mongolian economy, particularly foreign trade, foreign investment, grants and transfers. Yet, the balance of payments (BOP) was adversely affected by the appreciation of the real effective exchange rate of Togrog.

Current Account

The current account deficit increased by...

In the reporting year, the current account deficit was US\$ 60.9 million, which made up 5.8 percent of GDP. The increase of the current account deficit by 18.5 percent in comparison with the previous year was mainly due to the trade balance deficit. The depreciation of currencies against US\$ of main trade partner-countries, especially members of European Union, resulted in the appreciation of the Togrog and the trade balance deficit extension.

The foreign trade turnover growth levelled to the world average growth...

In 2000, foreign trade turnover increased by 11 percent compared to the previous year and reached US\$ 1,133.6 million. Thus Mongolia's foreign trade turnover growth increased to the level of the world average growth of 10 percent. Mongolia conducted foreign trade with 72 countries in the reporting year. Exports and imports totaled US\$ 502.1 million and US\$ 631.6 million, respectively. The foreign trade balance showed a deficit of US\$ 129.5 million.

Table 4. Structure of imports (percentage of import)

	1999	2000
Imported goods consist of transaction paid in foreign currency	49.9	55.0
Barter	0.7	0.3
Goods supplied by foreign loan	17.2	3.6
Goods imported by foreign aid	11.6	14.2
Goods imported by foreign investment	12.0	11.5
Materials for inward processing	8.0	12.7
Others	0.6	2.7

Exports rose by 10.5 percent compared with the previous year. Exports of goods and services amounted to 55.1 percent of GDP.

Mongolia's export composition remained dependent on a limited number of raw materials and the world market prices for these commodities. In the reporting year, exports of copper concentrate, gold and dehaired cashmere accounted for 54 percent of total exports. Exports of manufactured products, in particular textile and knitted garments had been increasing noticeably in recent years and made up roughly 20 percent of total exports in 2000. The world price of copper, which is one of Mongolia's major export

Figure 18. Trade balance

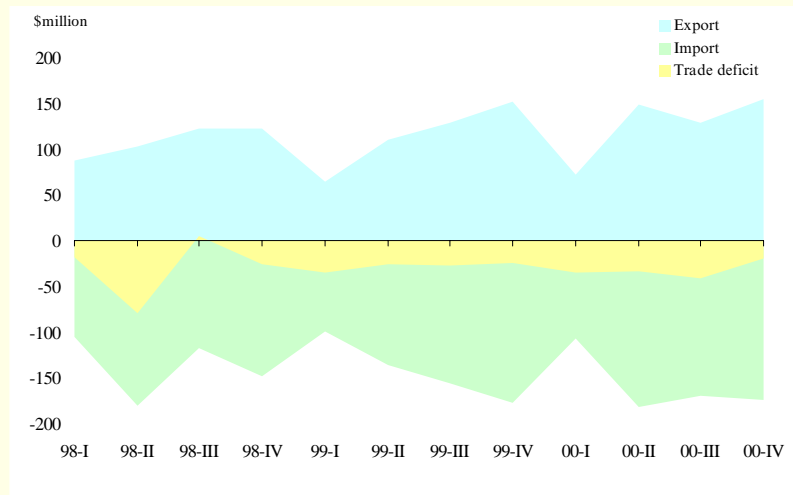


Figure 19. Structure of current account (\$ million)

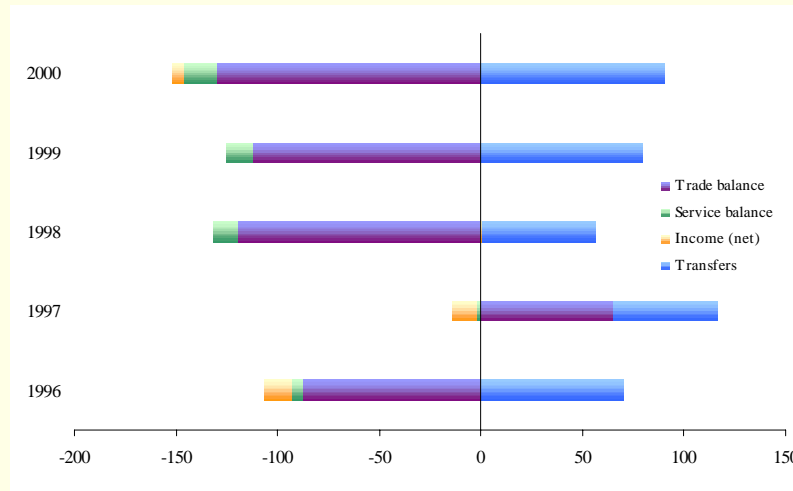


Figure 20. Structure of capital account (\$ million)

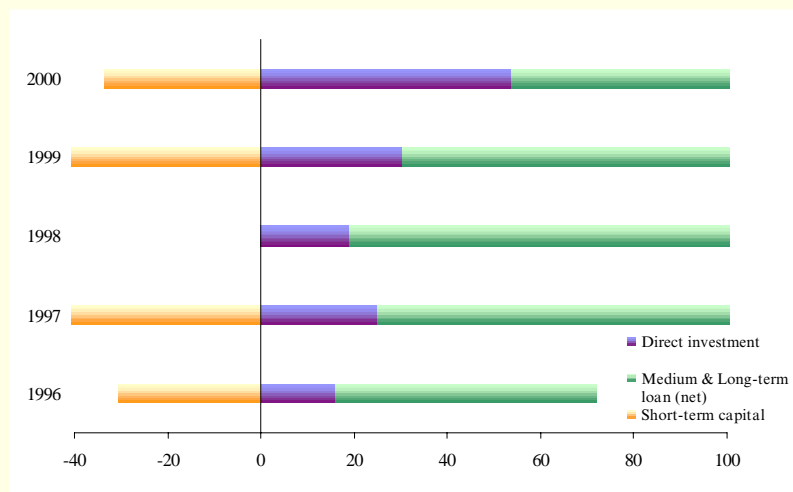


Table 5. Foreign trade (by countries)

	2000				
	Exports		Imports		Trade balance
	\$ million	share	\$ million	share	
European union	22.6	5.2	55.7	9.7	-33.1
Germany	1.9	0.4	28.2	4.9	-26.3
Italy	13.5	3.1	2.9	0.5	10.6
Netherlands	3.4	0.8	2.6	0.5	0.8
Others	3.8	0.9	22.0	3.8	-18.2
Member countries of ASEAN	0.1	0.0	18.3	3.2	-18.2
Singapore	0.1	0.0	10.4	1.8	-10.3
Indonesia	0.0	0.0	2.6	0.4	-2.6
Others	0.0	0.0	5.3	1.0	-5.3
Countries in transiton	39.1	9.0	213.0	37.1	-173.9
Russia	38.4	8.9	186.2	32.4	-147.8
Others	0.7	0.1	26.8	4.7	-26.1
Industrial countries	106.7	24.7	105.4	18.4	1.3
USA	85.8	19.8	24.4	4.2	61.4
Japan	8.1	1.9	68.5	11.9	-60.4
United Kingdom	11.2	2.6	6.0	1.1	5.2
Others	1.6	0.4	6.5	1.2	-4.9
Others	263.8	61.0	181.9	31.6	81.9
China	251.1	58.1	103.2	18.0	147.9
Korea	2.7	0.6	54.5	9.5	-51.8
Hong Kong SAR	7.1	1.6	15.8	2.7	-8.7
Taiwan	0.0	0.0	2.5	0.4	-2.5
Others	2.9	0.7	5.9	1.0	-3.0

commodities, rose from the second half of 1999. Foreign demand for cashmere also expanded. As a result, exports of these raw materials grew. However, sales of gold declined as the world gold price fell.

Total imports increased by 11.4 percent in comparison with the prior year. Imports of goods and services made up 69.1 percent of GDP. Import tariffs of 5 percent were reintroduced from July 1, 1999. In addition, seasonal import duties of 5-15 percent were imposed on vegetables and flour. The run-up in world petroleum product prices due to supply constraints in oil producing countries, economic recovery in Asian countries; and the increase of foreign grants in connection with the natural disaster all contributed to imports growth.

The share of goods, payments for which were conducted in hard currency, and goods imported as foreign aid in total imports rose, while the share of goods supplied by foreign loans decreased substantially. The increase of imports share in GDP and foreign trade turnover proved the openness of our economy.

In the past years, exports to China, Russia, the USA, Korea and Japan have represented about 70 percent of total exports. Export direction remained unchanged in the reporting

Increase in foreign grants influenced imports growth...

Table 6. Balance of payments

	in millions of US dollars					
	1999	2000				
		I	II	III	IV	
Trade balance	-39.9	-34.6	-34.0	-40.6	-20.3	-129.5
Exports F.O.B	431.5	71.7	148.0	128.3	154.1	502.0
Of which: Copper concentrate	111.7	38.7	42.0	34.3	35.7	150.7
Gold	95.9	0.0	10.0	8.1	51.6	69.7
Others	223.9	33.0	96.0	85.8	66.8	281.7
Imports C.I.F	-471.4	-106.3	-181.9	-168.9	-174.4	-631.6
Of which: registered by customs	-425.8	-96.7	-165.4	-153.6	-158.6	-574.2
Service balance	-14.1	-2.6	-3.0	-1.7	-9.7	-17.0
Receipts	71.0	15.7	17.1	25.0	19.4	77.2
Payments	-85.2	-18.3	-20.1	-26.7	-29.1	-94.2
Income, net	0.1	-3.1	-1.6	-0.7	0.2	-5.2
Interest payments	-6.2	-2.5	-2.0	-1.5	-3.1	-9.1
Private transfers, net	7.4	-0.7	-0.6	-1.9	-1.0	-4.3
Inflows		3.2	3.9	3.2	3.4	13.7
Outflows		-3.9	-4.6	-5.1	-4.4	-18.0
Current account deficit						
/excluding public unrequited transfers/	-46.5	-41.1	-39.2	-44.9	-30.8	-156.0
Public unrequited transfers	61.8	17.7	37.8	14.8	24.8	95.1
Official grants	54.9	16.3	34.0	11.2	21.1	82.7
Others	6.9	1.4	3.9	3.6	3.6	12.4
Capital account	69.1	27.8	6.8	1.9	36.2	72.6
Direct investment	30.4	15.9	6.2	9.6	22.0	53.7
Portfolio investment	0.0	0.0	-0.8	0.0	0.8	0.0
Medium and long-term loan, net	93.3	26.3	12.1	10.1	17.0	65.5
Of which: Disbursements	112.3	47.9	24.2	24.6	30.6	127.3
Government		35.1	9.2	9.6	24.9	78.7
Others		12.9	15.0	15.0	5.7	48.6
Amortizations	-19.0	-21.7	-12.1	-14.5	-13.6	-61.9
Government		-2.7	-5.1	-1.8	-8.6	-18.2
Others		-19.0	-7.0	-12.7	-5.0	-43.6
Commercial bank, net	-17.7	-6.0	-1.3	-11.8	6.1	-13.0
Assets		-5.3	0.3	-11.5	5.8	-10.7
Liabilities		-0.7	-1.6	-0.4	0.3	-2.3
Short term capital	-37.0	-8.4	-9.5	-6.0	-9.7	-33.6
Errors and omissions	-43.4	-9.7	2.5	3.1	-5.6	-9.8
Overall finance	40.9	-5.3	7.9	-25.2	24.5	1.9
Financing	-40.9	5.3	-7.9	25.2	-24.5	-1.9
Increase in net official reserves (-)	-36.2	5.3	-7.9	25.2	-24.5	-1.9
Use of IMF credit	4.3	6.8	-2.0	-1.2	-1.9	1.7
Changes of official reserves	-41.3	-1.3	-5.8	26.6	-22.7	-3.2
Arrears accumulations (+)/payments (-)	-4.8	0.0	0.0	0.0	0.0	0.0
Exceptional financing (rescheduling)	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0

Table 7. Main export commodities

	in millions of US dollars	
	1999	2000*
Copper concentrate	119.2	150.7
Volume (thous.ton)	492.7	467.7
Gold	95.9	69.7
Volume (kg)	10960.3	7839.8
Sawn wood	4.9	0.3
Volume (i3)	38.3	2.5
Cashmere, dehaired	45.9	51.8
Volume (ton)	1168.3	739.2
* Preliminary		

Exports to China and USA made up roughly 80 percent of total exports...

year. However, the share of exports to the above-mentioned countries changed; roughly 80 percent of total exports this year were to China and the USA. Since the main part of key raw materials such as copper concentrate, skin and hides, and cashmere was exported to China, the share of exports to China in total exports increased. Favorable conditions allocated to Mongolia allowed the export of knitted and textile products to USA and facilitated the increase of such exports. As a result, the USA became one of Mongolia's trading partners.

Imports from Russia made up about 32 percent of total imports, roughly 50 percent of which comprised oil products. The share of imports from China had been rising during the last few years. Particularly, food stuff imports from China amounted to 45 percent and vegetables imports to 96 percent of total imports of such commodities.

In the reporting year, service receipts and payments equalled US\$ 77.2 million and US\$ 94.2 million, respectively. The balance of services deficit was estimated at US\$ 17 million. The essential part of revenues was gained from services in tourism, air and railway transportation, telecommunications and navigation. Tourism became one of the main sectors of the economy due to growth in the number of tourists visiting Mongolia and private companies involved in tourism. The freight and number of passengers travelled by the railway increased due to restoration of railway and improvement of services. Besides tourism, information and telecommunications have developed intensively in recent years. Successful promotion of privatization in the telecommunications sector, expansion of private enterprises activity conducted in this sphere and adoption of new technologies were led by the income growth.

Investment income increase was associated with the banking sector foreign assets rise...

Banking sector foreign assets increased by US\$ 39.2 million or by 19.5 percent compared to the previous year. In particular, interest-bearing assets such as foreign government securities and deposits with foreign banks rose by US\$ 10.3 million or by 5.5 percent. Therefore, investment income increase was associated with the rise in foreign assets. In the reporting year, interest payments worth US\$ 9.1 million were conducted on loans disbursed according to Government negotiations.

The number of Mongolian citizens employed in foreign countries has increased during

the transition period. This has influenced the growth of net private transfers, which is expected to continue.

Public unrequited transfers rose by 50 percent to US\$ 82.7 million. Foreign grant growth was associated with the natural disaster occurrences. Foreign grants accounted for 95.1 percent and humanitarian aid for 4.9 percent of the total. The substantial part of grants was received from Japan, the USA, Korea and China.

Financial Account

Financial account equaled US\$ 72.6 million, about the same volume as in 1999. Foreign direct investment was estimated at US\$ 53.7 million or 5 percent of GDP, which was an increase of by 76.6 percent over the prior year. About 70 percent of these inflows were invested in light industry, geological exploration, prospecting and mining, commerce, catering, and processing of animal origin raw materials. The majority of the investment was in light industry. The main stream of investment inflows came from China, Korea and Japan.

The foreign direct investment inflows stream was directed primarily into the light industry...

In the reporting year, the Foreign Investment and Foreign Trade Agency registered 290 enterprises with foreign investment.

Long and medium-term loans totaling US\$ 78.7 million were borrowed from foreign countries and international financial organizations in the reporting year. Loans from the ADB, Japanese Government, IMF and World Bank accounted for 92 percent of total receipts. This financial support was directed toward development of infrastructure, improvement of efficiency in the energy industry, poverty alleviation, and to support private sector, foster economic growth and extend good governance reforms.

Table 8. Structure of imports (by groups, percentage of imports)

	1997	1998	1999	2000
Food	15.2	13.9	12.3	14.7
Energy	18.1	15.7	18.3	16.9
Equipment goods	33.8	33.5	34.8	30.0
Raw materials and spare parts	13.1	10.8	8.0	8.6
Consumer goods	12.8	12.6	17.6	20.7
Others	7.0	13.6	9.0	9.1

Loans from foreign countries and international financial organizations made up 22 percent of total exports of goods and services, while amortizations and interest payments accounted for 12.5 percent.

1.5. DEVELOPMENTS IN THE FINANCIAL SYSTEM

Inflation target was well beyond the pre-announced one...

At the end of the reporting period, the indicator of inflation—the Consumer Price Index (CPI) was 8.1 percent per annum, which was well within 15 percent inflation target stipulated in the Monetary Policy Guidelines for the year 2000 approved by the Parliament. This reduction in the growth of the price level was achieved as a result of a complex of monetary policy measures aimed at well-proportioned combination of direct and indirect tools of the monetary policy, and correct management of the foreign exchange policy.

The fact that during the last 3 years the growth rate of the money supply exceeded the growth rate of the CPI demonstrates, on one hand, the deepening of financial intermediation within the economy and the positive influence of the banking system on the real economy. On other hand, it demonstrates the existence of changes in the demand for money and possibilities to soften the current hard stance of the monetary policy conducted during the last decade.

Money Supply

Total money supply had grown up by 17.6 percent...

In the reporting period, money supply has reached Togrog 258.8 billion, which is a Togrog 38.7 billion increase in absolute terms compared to the same period of the last year and a 17.6 percent annual increase, again, within the target range of annual percentage change in the money supply stipulated in the Monetary Policy Guidelines. The compositional breakdown of the money supply stock is as follows: currency outside the banking system 39.0 percent, Togrog term deposits 22.8 percent, current account balances and deposits without specific term 11.5 percent, and forex deposits 26.7 percent (see Box.2 “Dollarization”).

For the most part, changes in M1, which are a main determinant of the changes in M2, can be explained by movements in the amount of the currency outside the banking system. The 30.4 percent increase in March, 19.9 percent increase in April, 7.3 percent increase at the end of the year of the level of the currency outside the banks, 8.3 percent increase of the current account balances of the business entities together contributed to the annual growth rate of 13.9 percent of M1, which reached the level of Togrog 130.8 billion.

Togrog term deposits are on the rise...

Quasi-money (togrog term deposits and foreign currency (forex) deposits) increased by 21.6 percent in annual growth rate reaching the level of Togrog 128.1 billion, which makes up 49.5 percent of total money supply. The increase in quasi-money was mostly due to the increase in the level of the togrog term deposits, which constitute 46.1 percent of the quasi-money.

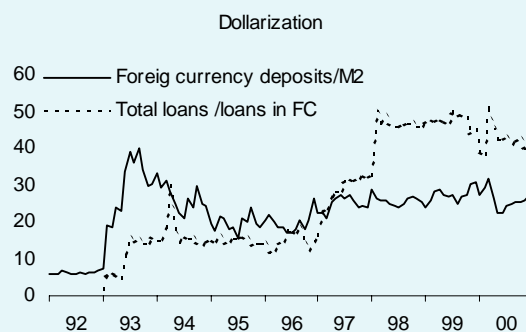
In order to stabilize the togrog’s exchange rate and to satisfy the growing need for the togrog, the Bank of Mongolia purchased some substantial amounts of foreign exchange resulting in an increase in currency outside the banks, togrog term deposits and total money supply in overall. In other words, the growth of net foreign assets was a main contributing factor into the increase of the money supply.

Box 2. Dollarization

Dollarization occurs when the population uses the currency of foreign country extensively in parallel with the currency of their own country. Dollarization is the terminology, which includes not only US dollar, but also other convertible foreign currencies. Asset and liability dollarizations are the two basic types of dollarization to be examined. Asset dollarization refers when foreign currency serves all three or some of the functions of money (unit of account, medium of exchange and store of value). The ratio of deposits in foreign currency in domestic banks to total money supply (M2 or M3) determines the asset dollarization. Depending on the intensity of the dollarization, the economies could be classified into the following 3 groups.

1. Economies with lower level of dollarization (below 20 percent): Chile, Salvador, and Mexico are examples. Some sources use the criteria of below 30% for this group.
2. Economies with medium level of dollarization (20-70 percent): Argentine, Costa-Rica, Honduras, and Nicaragua. Mongolia (with 26.7 percent of dollarization as of the end of 2000) is included in this group.
3. Economies with higher level of dollarization (above 70 percent): Bolivia (82.3%), Uruguay (76.1%).

Liability dollarization refers to the situation when the banking system or government keeps a relatively large amount of foreign liability securities. Subsequently, liability dollarization is measured by the ratio of loans issued in foreign currency to the total amount of loans extended from the banking system. Regarding our country, the liability dollarization did not exceed 20 percent until 1997 and subsequently it reached 32.6 percent in 1997, 46.7 percent in 1998, 39.2 percent in 1999 and 41 percent in 2000. Furthermore, as import duties were nullified in May 1997, the foreign trade deficit grew by 9.4 times, from USD 16.8 million up to USD 158.1 million. In other words, the increase in import volume, which started in 1997, could be explained by the increase of loans extended in foreign currency. Moreover, when large domestic banks face liquidity problems, the dollarization is further intensified. Additionally, the liquidation of 8 banks in the past few years may have affected the liability dollarization of the economy.



Depending on the legal aspects, the dollarization is classified into 3 groups.

- Unofficial dollarization - refers when people keep foreign currency in banks to protect themselves from the depreciation of domestic currency (Central and Latin American countries, most of Caribbean countries, namely Argentina, Bolivia, Mexico, Peru, most of Commonwealth of Independent countries, Mozambique, Romania, Turkey, Vietnam are included in this grouping). Mongolia is also included in this group.
- Semiofficial dollarization - refers to the situation present when in spite of the fact that the domestic currency is an official instrument of medium of exchange, it serves a secondary role in wage, taxation collection, and in everyday expenditures. In countries included in this group, the share of foreign exchange deposits dominates in the total volume of deposits (Bahamas islands, Cambodia, Haiti, Liberia are included in this classification).
- Official or full dollarization - refers to the situation when the government permits foreign currency as a dominant or the only official legal tender in the country.

Regarding Mongolia, asset dollarization reached its peak in 1993 and since then, especially over the last few years, this ratio has stabilized around 30 percent. Liability dollarization was 15 percent until 1996 and then, starting in 1997, it has increased rapidly to its present level at around 40 percent.

If one breaks down the changes in the money supply by the sources, then net foreign assets grew by 22.9 percent reaching Togrog 206.0 billion, net domestic assets decreased by 27.3 percent and are currently at the level of Togrog 84.8 billion. The slight depreciation of the togrog, additional foreign exchange revenue from the sale of textiles, gold, copper and cashmere will explain that robust growth of the net foreign assets.

The fact that net domestic assets declined by 27.3 percent can be connected to the 50.3 percent of annual decline of the net lending to the government, which currently stands at the level of Togrog 17.2 billion. On one hand, the deposits of the government increased, and, on another hand, in 2000 the Ministry of Finance and Economics, and Bank of Mongolia clarified and partially settled the financial issues outstanding between the two authorities since 1991. Beyond that, the Bank of Mongolia granted and received in full repayment a loan of Togrog 18 billion to the state budget to cover the seasonal shortage of the revenue for the state budget.

Net credit to the public and private sector grew 29.5 percent and it reached the level of Togrog 51.8 billion. The amount of the total outstanding loans to the business entities, individuals declined in 2000 by 17.6 percent and it currently stands at the level of Togrog 67.7 billion, although net credit to the public sector declined by 26.7 percent and net credit to the private sector went up by 49 percent. 23.4 percent of total loans outstanding are currently classified as non-performing loans.

Money Market

Certain financial instruments with high liquidity and short-term maturity such as securities, promissory notes, certificates of deposit, central bank bills and government bills are usually circulated through the money market. The central bank, government and commercial banks are the major players on this market and, in comparison to other markets, the activity of the money market is more transparent and open.

A special feature of the reporting year is the fact that the Mongolian government publicly traded short-term treasury bills. The bill auction mobilizes the excess resources of business entities, private citizens and, in turn, covers some seasonal shortages in the revenue for the budget in market-oriented ways. The government has sold since November of 2000 at three auction bills amounting to Togrog 11.1 billion and the Bank of Mongolia had engaged in the “repo-type” of operations with two commercial banks by selling and buying treasury bills. As a result of joint efforts by the Government and Bank of Mongolia, the accumulated arrears regarding bank-restructuring bonds in 1999-2000 were fully resolved.

In developed countries, treasury bills are issued not only to cover temporary budget deficits, also as an important tool of the money market.

In order to execute monetary policy, to influence price developments through controls

Net credit to the government have decreased...

The Government issued freely traded treasury bills to the public...

Figure 21. Structure of money supply (M2)

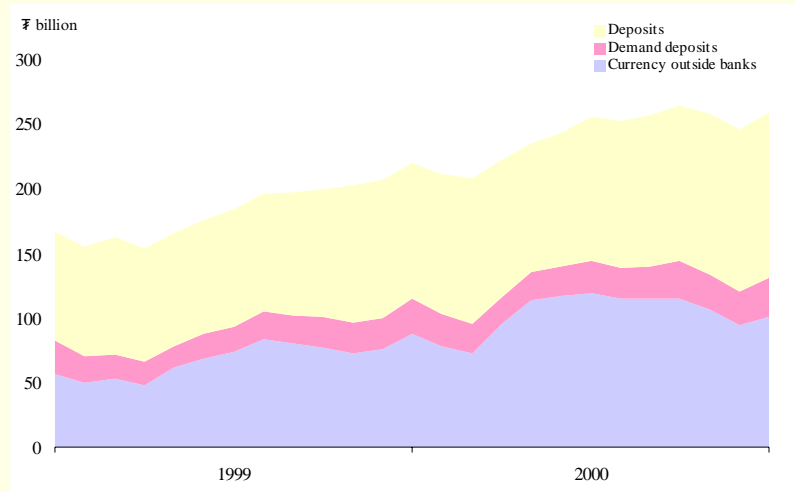


Figure 22. Reserve money

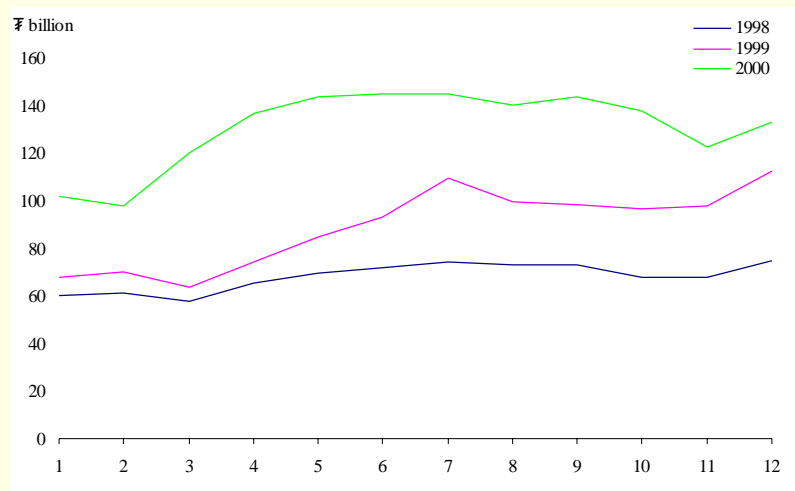
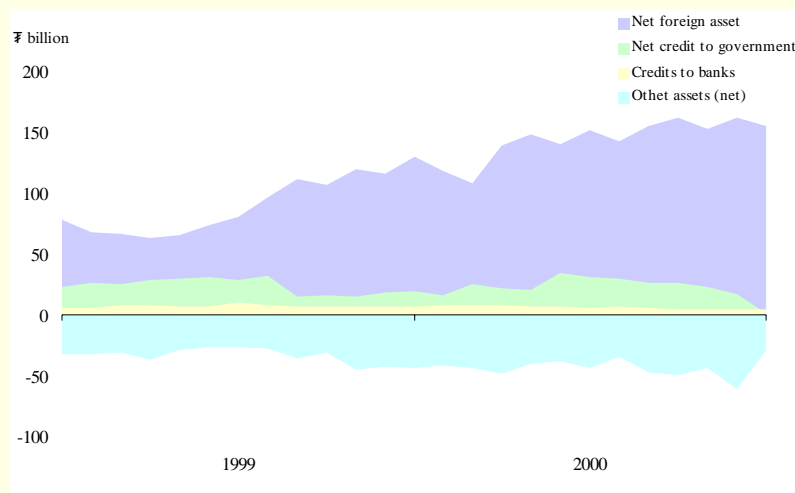


Figure 23. Source development of reserve money



over the reserve money and money supply as a whole, and to indirectly manage excess reserves within the banking system, the Bank of Mongolia has issued Central Bank Bills (CBB) since 1993.

In 2000, the Bank of Mongolia concentrated its policy regarding the CBB on maintaining positive returns on the CBB in real terms, influencing the general level of interest rates within the banking system through the changes in the level of interest on the CBB. The Bank of Mongolia issued the CBB with four different maturities (7, 14, 28, 91 days) during 93 trades. Average daily outstanding holdings of the CBB were around Togrog 23.5 billion. As of the end of 2000, the weighted average interest rate on the CBB was 8.6 percent per annum, which is 10.3 percentage points below the end of the previous year. With the possibility to trade the CBB in the secondary market, banks traded the CBB amounting to Togrog 33.2 billion with each other.

By setting the rate of interest on the CBB as a base rate for the whole structure of the interest rates, the Bank of Mongolia achieved better coordination between different monetary policy tools and exerted a desired influence on the level of other interest rates. The decline of the interest rate on the CBB has had the following positive consequences for the economy:

1. With the concomitant decline of the interest on the bank restructuring bonds, which has resulted in a reduced interest burden for the budget, the government had an opportunity to issue short-term government bills in order to cover seasonal shortages in the revenue through auctioning of the government bills. Also, the trading of the government bills between the commercial banks provides a perfect opportunity for the introduction of repurchase agreements to fine tune the liquidity of the banks.

2. The decline of the interest on the CBB may signal the possibility for the commercial banks to further reduce their lending rates. The current decline of the lending rates will create an environment conducive to the real investment into the economy through the loan financing of domestic investment projects.

Capital Market

In 1991 the MSE was established to lay the foundations of the capital market, to efficiently carry out a large-scale privatization within short period, to regulate the flow of funds within the economy, and to start trade in securities. The development of the capital market in our country can be divided into two phases:

Phase between 1991-1995 when primary allocation of the certificates of the ownership took place in the form of private citizens converting those certificates into shares of business units.

Phase of secondary trade since August of 1995 when shares are being traded through the MSE resulting, on one hand, in concentration of the capital and, on other hand, in its re-

The Bank of Mongolia issued the CBB with 4 different maturities...

Phases of the capital market development...

Figure 24. Money multiplier

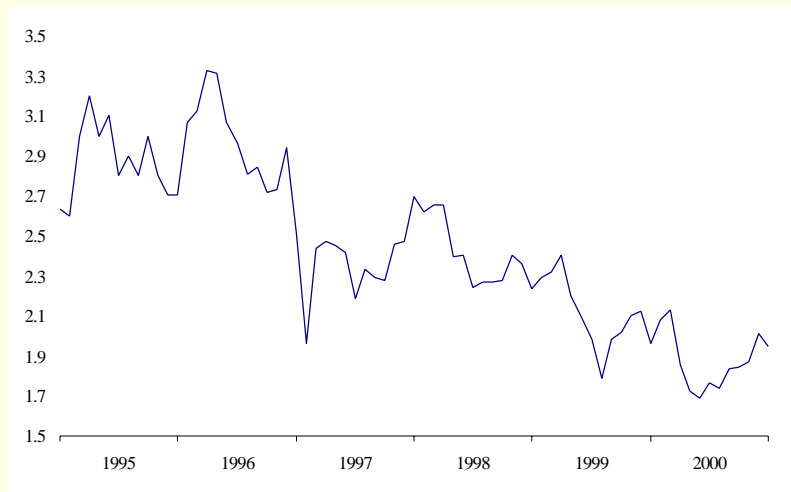


Figure 25. TOP-75 Index

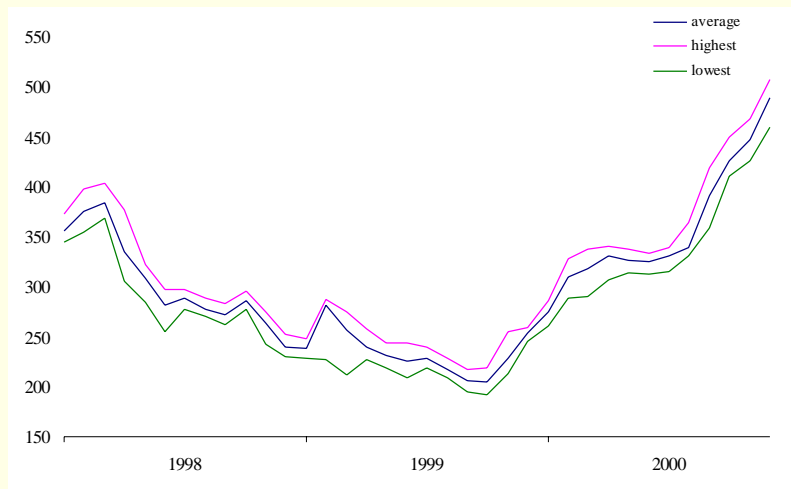
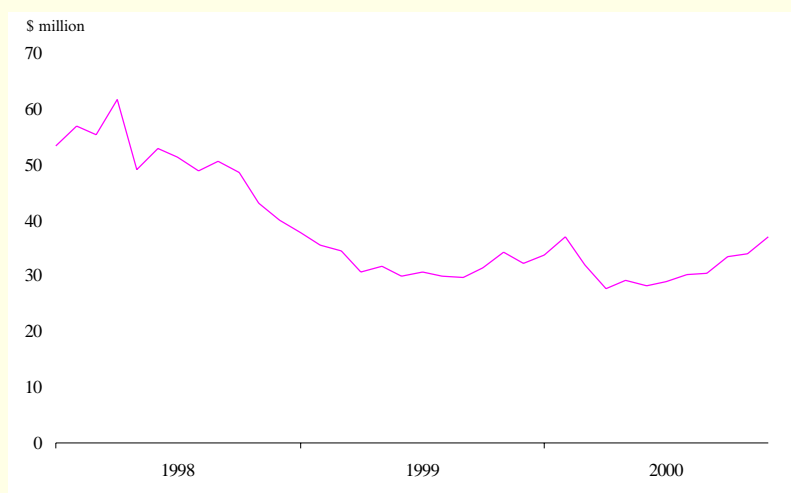


Figure 26. Market capitalization



distribution.

Trade in shares and bonds had reached the level of Togrog 14.1 billion, highest since 1995...

In 2000, the MSE's trade turnover reached Togrog 14.1 billion, the highest turnover since 1995.

The indicator mentioned above rose primarily due to the trade of the treasury bills issued by the government. The volume of the trade in discounted treasury bills amounted to Togrog 11.1 billion, accounting for 78 percent of the total trade turnover of the MSE in 2000.

Trading in shares of companies reached the level of Togrog 2.9 billion in 2000, which represents a 10 percent decline compared to the previous period. Half of the total trade turnover was related to the shares of the State Department Store Co. In the reporting period, out of registered 410 limited companies, whose shares were traded at the MSE, the bulk of the trade can be traced to companies such as the State Department Store Co., Baganuur Coal Mining, Gobi Cashmere Factory Co., and the Leather Co. Market capitalization of all shares stands at Togrog 40.5 billion or 17 percent higher than the previous year..

The MSE uses a "TOP 75" index, which is based on the size of market capitalization, number of shareholders and the property of owners, to measure developments in the capital market. At year end 2000, the MSE's TOP-75 index stood at 469.9, which exceeded the same indicator for the previous period by 214.2 or by 83.8 percent. The increase was due mainly to the increasing share prices of Gobi Cashmere Factory Co. and Mongolian Telecom Co.

One of the new developments on the capital market was the registration of the wholly Japanese-owned Mirai Shookan Limited Co. as a member and broker company at the MSE. A total of 42 security companies are licensed to trade at the MSE, of which the most active brokers are Delgerhangai Trade Limited Co., Mirai Shookan Limited Co., and B.D.Sec. Limited Co.

The number of companies registered with the MSE is declining. The decline is related to the number of bankruptcies and mergers and to the change of legal status in many

Table 9. Mongolian stock exchange's main indicators

	1995	1996	1997	1998	1999	2000
Number of listed companies at MSE	475	449	435	430	418	410
Market capitalization (million ₮)	12816	17961	43255	35858	34428	40483
Value of transaction (million ₮)	851	4157	12165	10756	3274	2973
Number of stocks transacted (mil.number)	6.8	23.8	33.7	33.1	21.5	35.4
Average price of unit stock (₮)	125.1	174.6	361.0	325.0	152.3	84.0
Daily average transaction (million ₮)	10.1	17.6	48.1	42.5	13.0	11.7
TOP-75 index	85.3	152.9	360.1	235.0	255.7	469.9

companies from unlimited to limited form of ownership. The surge in the trade of securities during 1997-1998 has lately diminished.

In the reporting period, The State Property Committee carried out its activities in order to fulfill the objectives stipulated in the government's Action Plan for 2000, to implement the program of bank privatization, to privatize large state owned enterprises (SOE) on the basis of the Parliament, government resolutions through appropriate legal actions on a prompt basis.

Bank privatization program has been worked out...

The privatization preparations for the large state enterprises such as NIC Petroleum Company, Gobi Cashmere Factory, APU Vodka Distillery, and the Trade and Development Bank (only the state's shares) have been conducted. The certain results are achieved by implementing a package of measures designed in line with the Guidelines on the Privatization of State Property in 1997-2000. The bank privatization program has been drafted and approved by the government.

Within the scope of privatization preparations of the large SOEs (Gobi, Trade and Development Bank, NIC), the tender documents for the selection of adviser to carry an evaluation of the firms have been finalized. Those documents have been drafted with the assistance of the USAID-funded Barents Group.

In the reporting period, a number of large companies were privatized through sealed tender trade. These included the State Department Store Co., Hailaast Gold Mining Company, Selenge aimak's Mill Co., Energy Equipment and Repairs Co., Energy Machinery Co., and Erchimpex.

Out of small SOEs, the Uvs aimag's forestry and hunting unit, Selenge aimag's Zuun Hovch Co., and Tuv aimag's Atar, Bayanbadrah, Zaluuchuud, Ulaanbaatar's Medical Equipment and Barilga Corporation were successfully sold via open auction or through the MSE. The sales generated a total Togrog 5.7 billion in budget revenue..

The budget received Togrog 5.7 billion from privatization proceeds...

In the area of social infrastructure, the newspapers "Government News" and "Daily news" were sold to private hands partially through an initial offer of certain shares to the employees of those media outlets. The balance was sold via closed-door sale among mass media professionals.

In 2000, the sale of some 7 unfinished construction objects yielded Togrog 116.9 million of the budget revenue.

The privatization of citizens' apartments continued in 2000, and, according to preliminary estimates, 90 percent of private apartments have now been privatized.

90 percent of apartments are in private hands...

1.6. DEVELOPMENT OF FINANCIAL INSTITUTIONS

12 banks are operating in Mongolia...

At the end of the last year, 12 banks were operating in Mongolia and they had representations in all aimags through their branches and offices. Through their 457 entities (66 branches, 363 sub-branches, 16 cash offices) the banks provide their customers different banking services, including credits, deposits and payments. Eight banks have almost 371 branches and offices in the rural area, which represents nearly 81 percent of the total number of branches and offices of the banking sector. The Agricultural Bank of Mongolia alone owns the majority of the branches located in the rural area. During the last year the number of offices in the rural area increased by 13. Darkhan-Uul, Orkhon and Uvs aimags have branches and offices of 6, 5 and 4 banks respectively; elsewhere the number of banks represented in other aimags varies from 1 to 3. Now the banks intend to open more branches in areas with the well-developed infrastructure, agriculture, and industry, thereby following developing markets. This behavior is totally different from that which predominated in the previous banking system. For the population as a whole, the banking situation is as follows:

203.9 thousand persons per bank
 31.4 thousand persons per branch
 5.5 thousand persons per sub-branch
 and 5.3 thousand persons per cash-office.

Six out of twelve banks licensed by the Bank of Mongolia have state participation in their ownership; the remaining six banks are all privately-owned. At the end of 2000, 69.9 percent of all savings and time deposits, 81.7 percent of all demand deposits and 91 percent of all government deposits were concentrated in the six state-owned banks..

The ratio of M2 to GDP, which determines the scope of financial intermediation performed by the banking sector, was 25 percent, up 1 percent from the previous year.

At the end of 2000, the net foreign assets were Togrog 206.0 billion, net domestic credits Togrog 84.8 billion, with a ratio of 243 percent. This ratio was 143 percent at the end of 1999, and the increase in this ratio is associated with the investments in foreign assets.

Table 10. Total assets (percentage of GDP)

	1996	1997	1998	1999	2000
Total assets (in billions of Togrog)	158.3	196.3	179.6	182.3	225.7
Percentage of GDP	24.5	23.6	22.0	19.7	21.6

Banking Sector

During 2000 total assets of the banking system increased by 23.8 percent (Togrog 43.4

Figure 27. Broad money M2 (percentage of GDP)

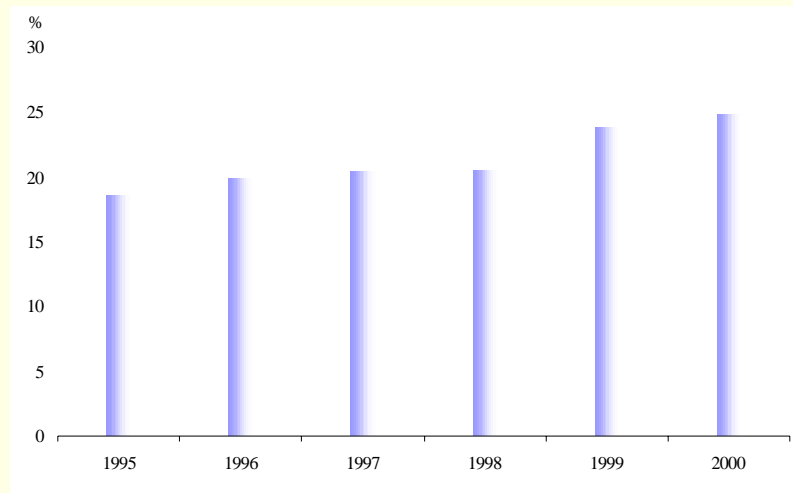


Figure 28. Banking system assets (percentage of GDP)

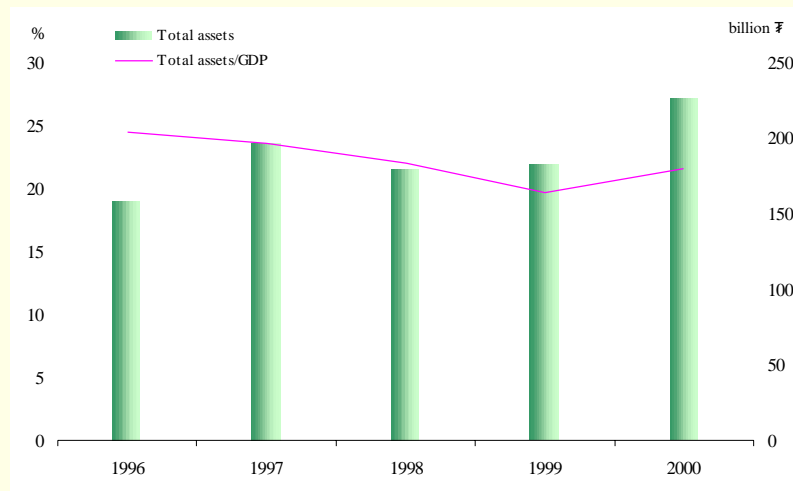
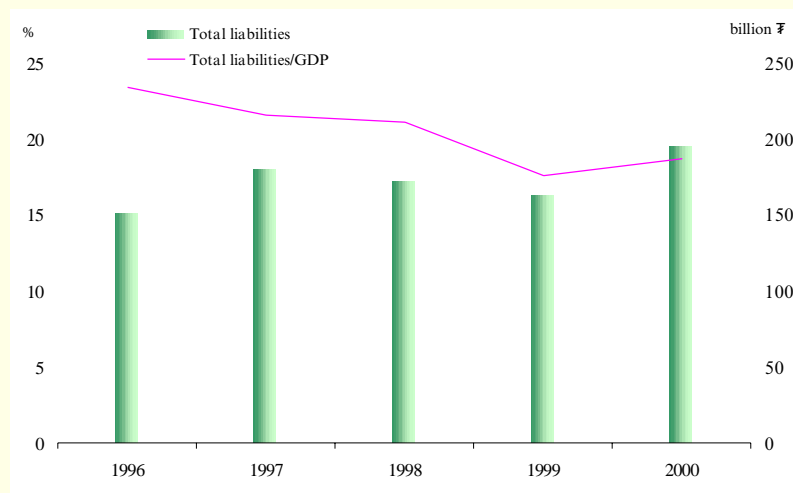


Figure 29. Banking system liabilities (percentage of GDP)



Share of the total assets of the banking system in GDP equal to 21.6 percent...

billion), and its share in the nominal GDP rose to 21.6 percent compared with 19.7 percent in 1999. The sharp growth in total assets was promoted by an increase in demand deposits (Togrog 6 billion), in time and savings deposits (Togrog 25 billion), in government deposits (Togrog 5 billion), and in contributions to the capital of banks (Togrog 11 billion).

Total assets were composed of the following items: net loans 24.1 percent, foreign assets 23.6 percent, claims on the Government 17.8 percent, cash items and reserves 14.2 percent, Central Bank Bills (CBB) 10.1 percent, and other assets 10.2 percent. During the year, the share of CBB and other assets both decreased by 2 percent, and the share of outstanding loans increased by 5 percent. The share of other assets in total assets was quite stable and without significant changes.

Total liabilities were composed of the following items: demand deposits 33 percent, time and savings deposits 47 percent, Government deposits 13 percent, and other liabilities 7 percent. During the last year the share of time and savings deposits increased by 5 percent through the share decrease of demand deposits (3 percent) and foreign liabilities (2 percent).

Public confidence to banking sector is returning...

On the basis of above-mentioned numbers, especially on the increase of household deposits, it is possible to make a conclusion of the public confidence in the banking sector. In this changing environment - where the CBB rate goes down and banks mainly "locate" their resources into loans - the share of outstanding loans represents only 30 percent of the total assets, which is a very disappointing indicator if we make comparison with the numbers of other countries. This is a clear indication of the necessity to increase the financial intermediation performed by the banking sector (see Box 3. "The Expansion of banks' activities").

Table 11. Banks' assets

	(in percent)				
	1996	1997	1998	1999	2000
Reserves	5	7	10	13	14
Central bank bill	0	10	7	12	10
Foreign assets	31	34	15	25	24
Claims on Government	9	18	21	20	18
Claims on Nonbanks (net)	34	20	33	19	24
Interbank market assets	2	1	2	2	1
Other assets	18	10	12	11	9

Banks granted new loans in amount of Togrog 112 billion...

The total amount of loans granted during the year 2000 was Togrog 112 billion, which was almost equally distributed between industrial (49 percent) and non-industrial (51 percent) sectors of the economy. During the year, almost 44 percent of total loans were granted to service companies, while the important mining and manufacturing companies used respectively only 22 percent and 22.3 percent of new loans. These percentages

Box 3. The expansion of banks' activities

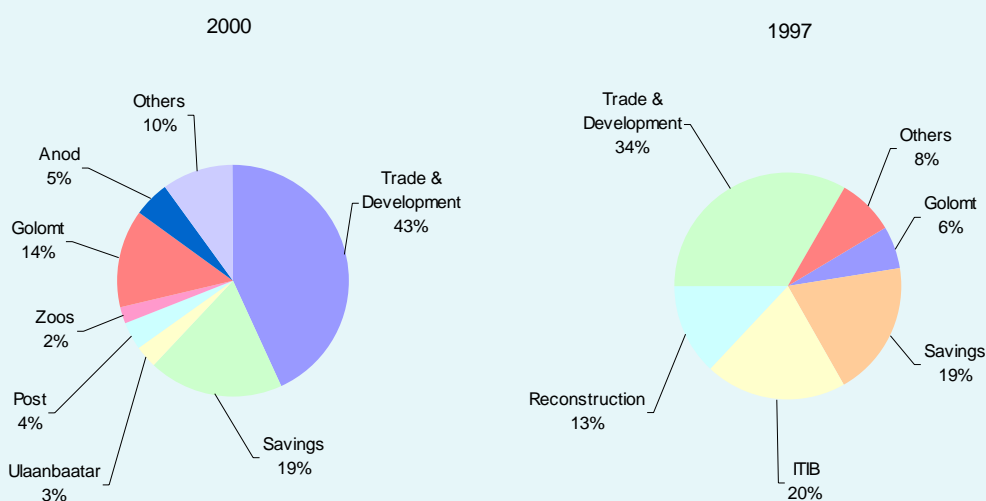
The following table illustrates the fact that the vacuum left by few liquidated banks (in particular, Reconstruction Bank, ITI Bank) in 1999 has been already overtaken by new banks except loans during the year 2000. The table indicates that while the levels in current accounts balances and capital have recaptured their 1999 levels, the level of term deposits, foreign liabilities and performing loans

	in billions of togrogs		
	1999	2000	2000/1999
Foreign assets	41.7	53.3	127.8
Total loans:	78.2	67.9	86.8
-of which non-performing	42.1	15.9	37.8
Central bank bills	21.2	22.8	107.7
Total assets	200.2	225.7	112.7
Current accounts	62.9	65.2	103.7
Deposits	70.0	92.7	132.5
Foreign liabilities	9.8	5.9	59.9
Capital	16.4	16.8	102.5

have already exceeded 1999 level. Although the total amounts of loans outstanding have not reached their 1999 level yet, the loan intermediation of banks has increased, provided one excludes the non-performing loans of the Reconstruction and ITI banks. The bar chart shows that while Savings Bank has managed to maintain its standing, Golomt and Trade and Development banks have managed to increase their weights in the total assets of the banking system. The Ulaanbaatar Bank, which was established in 1998 and possessed 1.2 percent of the total banking sector assets, has increased its assets by extending more loans and, as end of 2000, this bank maintained 3 percent of the total assets in the banking system.

Anod and Zoos banks, which were established in 1999, and held 7 percent of total assets. The activities of these two banks are expanding quite intensively. The fact that the total assets of Anod Bank has reached Togrog 11.2 billion in 2000, which would place this bank before the Mongol Post Bank, clearly shows the dramatic expansion of the Anod bank. In order to increase their resources, Anod and Zoos banks announced high interest on term deposits. Consequently, these banks managed to increase term deposits of individuals, which reached Togrog 6.7 and 2.3 billion respectively, as of 31st December, 2000. On the other hand, because of high-cost deposits, these banks are carrying out an intensive credit expansion.

Share of banks in total assets of the banking system, in percent



In 2000, Anod Bank's issuance of loans reached Togrog 15.5 billion and loan repayments Togrog 11.1 billion, which are 5.3 and 8.3 times greater than the level in 1999. Furthermore, Zoos Bank extended loans worth Togrog 7 billion in 2000 of which Togrog 4.7 billion was repaid, which means that issuance and repayment of loans have increased by 2.9 and 3.0 times from their 1999 levels. These figures place these banks just behind Golomt Bank, whose loan extension was Togrog 21.3 billion of which Togrog 15.9 billion was repaid, and also behind the Trade and Development Bank, whose loan extension reached Togrog 45.4 billion of which 40.9 was repaid.

were mainly caused by the shift in loans from the manufacturing sector to service sector, evidenced during the last year. In other words several adjustments in the lending portfolio were made by banks to smooth the impact of the slowdown in some sectors of the economy.

Table 12. Banks' liabilities

	(in percent)				
	1996	1997	1998	1999	2000
Current accounts	27	34	30	36	33
Deposits	30	33	34	42	47
Other funds	9	4	4	2	1
Foreign liabilities	6	7	12	5	3
Deposits of Government	15	19	12	12	13
Interbank market liabilities	6	2	4	2	1
Other liabilities	7	2	4	2	1

During 2000, the return on assets increased 2.5 percent. The sharp growth in this profitability ratio was mainly contributed by extraordinary income (+1.5 percent of total assets) generated during the year and reduction in loan loss expenses (-1.8 percent of total assets). The concentration of lending activity on a few reliable borrowers and the growth of non-interest income, especially fee income, are considered as important changes in the behavior of banks (see Box 4. "Profitability of banks").

Non-Bank Financial Institutions

Non-bank financial institutions, especially micro-finance companies, through their financial resources can widen the scope of financial intermediation in the economy and support small and medium enterprises, which play an important role in the development of the economy. Therefore, regulatory authorities have emphasized the establishment of the legal framework and development of the sector infrastructure for these institutions.

Table 13. Banks' income and expense statement

	percentage of total assets		
	1999	2000	Changes
Interest income	11.4	12.4	1
Interest expense	5.8	4.7	-1.1
Net interest income	5.6	7.7	2.1
Non-interest income	3.5	5	1.5
Non-interest expense	4.1	5.2	1.1
Net non-interest income	-0.6	-0.2	0.4
Provision for losses	3	1.2	-1.8
Return on assets (before tax)	2	6.3	4.3
Tax	0.6	2.4	1.8
Return on assets (after tax)	1.4	3.9	2.5

Figure 30. Non-performing loans (percentage of loan outstanding)

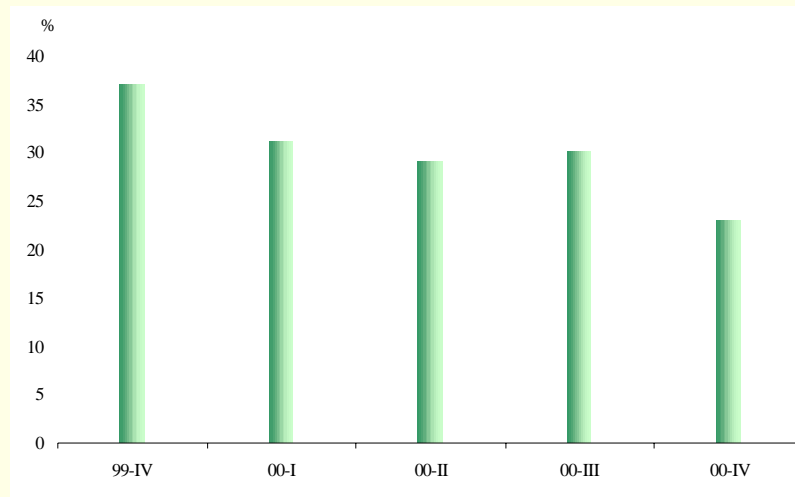


Figure 31. Banking system assets (by structure)

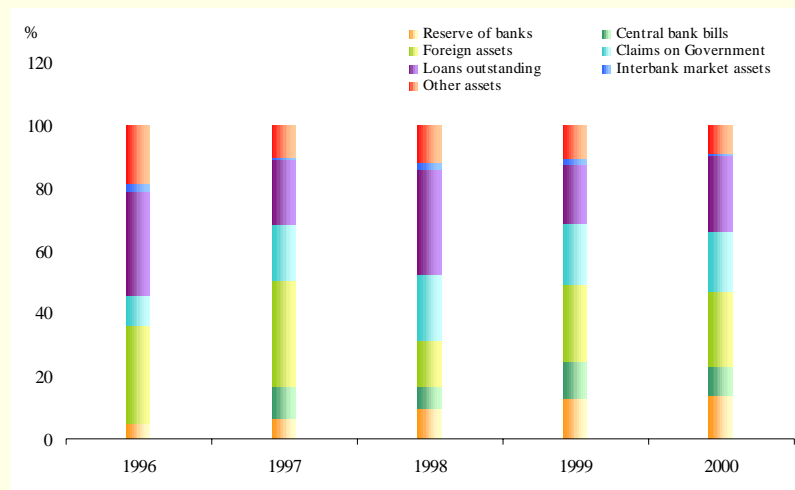
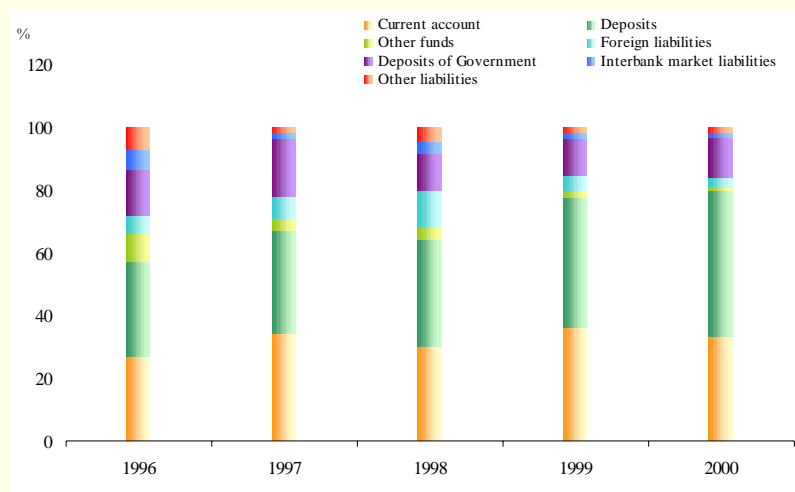


Figure 32. Banking system liabilities (by structure)



In 2000
7 NBFIs were
operating...

Currently, seven non-bank financial institutions, licensed by the Bank of Mongolia, are operating. At the end of 2000, total assets of non-bank financial institutions were equal to Togrog 2.9 billion, while other balance sheet items such as outstanding loans and capital amounted to Togrog 1.6 and Togrog 1.5 billion, respectively. Five of the seven institutions were licensed in the year 2000. Therefore, the scope of operations conducted by non-bank financial institutions is very limited, resulting in a high leverage ratio of more than 50 percent.

In addition 90 savings and credit unions (SCU) conduct their operations under strict control of the taxation authorities. Recently the Bank of Mongolia performed on-site inspections of 85 SCUs. The SCUs supervised by the Bank of Mongolia have attracted deposits from more than 456 depositors and granted loans to 1.500 customers. The total assets of these SCUs exceed Togrog 1 billion.

... representing 1
percent of total assets
of banking system

Total assets of all non-bank financial institutions represent only 1 percent of the total assets of the banking system. Consequently, it's clear that the financial intermediation performed by those institutions is very limited.

Box 4. Profitability of banks

Economic and financial factors that affect the profitability of banks operating in Mongolia have been investigated by the fixed effect regression model. The monthly data from the 1997-2000 period, composed of the ratios for outstanding loans, Central Bank bills, Government deposits, capital and total costs to the total assets, and current account to deposits and outstanding loans to deposits, have been utilized in estimating the regression equation which can be written in the following form:

$$AT = -0.33LO + 0.07IN - 0.68CA - 0.45GD + 0.05CR + 4.95LIQ - 0.56TE$$

t-stat (-1.90) (0.65) (-4.48) (-2.59) (0.50) (2.20) (-4.22)

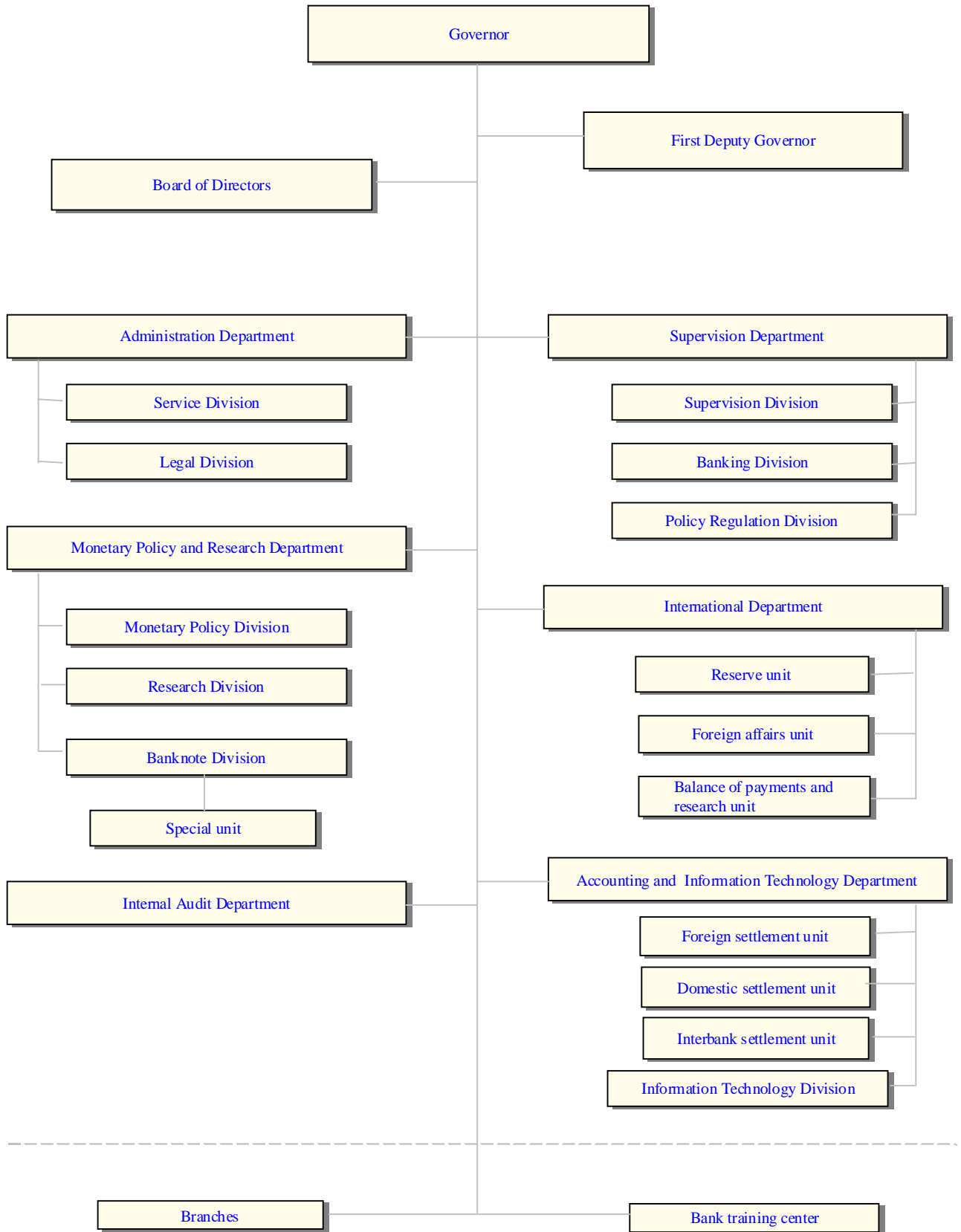
AT-Bank profitability (net profit after taxation/total assets) LO-Loan outstanding /Total assets
IN-Central bank bills/Total assets CA-Current account/Total deposits
GD-Government current and deposit accounts/Total assets CR-Bank capital/Total assets
LIQ-Loan outstanding /Total deposits TE-Total expenses/Total assets

NB: Numbers in the brackets indicate *t*-test statistics and if the value of *t* test statistic is greater than 2 then the variable is assumed to be statistically significant.

The model shows that 75 percent of bank profitability is determined by total expenses, current account, and Government deposits and by financial intermediation (LIQ). As the research indicates the efficiency of the cost management is the vital determinant of the bank profitability. Therefore, banks can improve their profitability indicators by more closely monitoring total expenses, in particular, operating expenses. The model shows that outstanding loans may also influence the bank profitability (*t-stat* 1.9), hence, in order to increase profits, Mongolian banks need improve their loan issuance and procedures.

2.	CENTRAL BANK POLICIES, OPERATIONS AND ACTIVITIES	
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Organizational chart



Governors and Directors of the Bank of Mongolia



Governor O.Chuluunbat



First Deputy Governor
A.Batsukh



Director of Administration
Department L.Mandal



Director of Monetary
Policy & Research
Department B.Enhhuyag



Director of Internal Audit
Department Ts.Tsolmon



Director of Accounting &
Information Technology
Department O. Chimgee



Director of Supervision
Department D.Enkhjargal



Director of International
Department Ts.Odongua



Director of Legal Division
G. Erdenebayar



Director of Service
Division J. Khaltar



Assistant to Governor
B. Lkhagvasuren



Director of Reserve Unit
G. Tomorbaatar



Director of Monetary
Policy Division D. Ganbat



Director of Research
Division T. Ariuntungalag



Director of Banknote
Division T. Khaltar



Director of Information
Technology Division
D. Gantulga



Director of Supervision
Division Kh. Delger



Director of Policy
Regulation Division
Ts. Altan-Utas



Director of Banking
Division L. Chimgee

2.1. MONETARY POLICY DEVELOPMENT

Main objective...

In the reporting period, the Bank of Mongolia implemented the State Monetary Policy Guidelines by prudent control of the money supply, containing inflation in order to ensure stability of the togrog, stabilizing the financial sector, and deepening bank restructuring measures.

Improving coordination between the tools of the monetary policy...

As a result of improving coordination between the tools of the monetary policy, hence more efficient management of the monetary policy, by the end of 2000 the money supply had risen by 17.6 percent or Togrog 38.7 billion to the level of Togrog 258.8 billion. This is in line with the money supply targets stipulated in the State Monetary Policy Guidelines for 2000. Within the reporting period, due to the decrease of Togrog 17.4 billion in banking system claims on government, net domestic assets of the banking system were reduced 27.3 percent. To ensure stability in the Togrog exchange rate and to satisfy rising demand for the togrog, the Bank of Mongolia purchased substantial quantities of foreign currency resulting in an 15.6 percent increase of currency outside the banking system and a 31.1 percent increase in term deposits. The Bank of Mongolia also bought 12.3 tons of gold from gold mining companies and refined 12 tons of gold with subsequent sale of 7.8 tons of refined gold. This led to an increase in both net foreign assets and money supply.

Maintaining the interest rate on the CBB positive in real terms...

The Bank of Mongolia put special emphasis on maintaining a positive CBB interest rate in real terms to facilitate the conduct of unified interest rate policy in the direction of a gradual decline in the level of existing interest rates. Hence, easing of the interest service for the government made the introduction of government bills on the capital market possible. Also, with the decline in the level of the interest rates, loan financing options for the long-term manufacturing and investment may receive a fresh impetus.

Due to the continental climate with rapid weather swings, our economy is characterized by sectors of economic activity susceptible to climatic factors; therefore, activity in farming, livestock husbandry, mining starts picking up in spring, summer and fall. Concomitantly, a similar seasonal surge in the volume of cash outside the banks has been observed.

Reserve Money

To avoid expansionary growth of the reserve money...

The objective of the monetary policy conducted by the Bank of Mongolia in 2000 was to avoid expansionary growth in the reserve money. In the reporting period, reserve money increased by 18.6 percent or Togrog 20.9 billion, and it reached a level of Togrog 132.9 billion. The pattern of last three years indicates that the reserve money usually shrinks in the first quarter and picks up in the second quarter. The level of the reserve money has been relatively stable throughout the year with increase in the first half, reduction since October and with reversal of this trend in December.

Reserve money consists of currency outside the banking system, cash in vaults of

commercial banks and current account balances of commercial banks with the Bank of Mongolia. As of the end of December 2000, reserve money consisted of Togrog 100.9 billion in currency outside the banking system (75.9 percent of total reserve money), Togrog 25.5 billion in current account balances of commercial banks with the Bank of Mongolia (19.2 percent), and Togrog 6.5 billion cash in vaults of commercial banks (4.9 percent). Compared to the same period in the previous year, currency outside the banking system increased by 15.6 percent or Togrog 13.6 billion, cash in vaults of commercial banks by 51.2 percent or Togrog 2.2 billion, and current account balances of commercial banks with the Bank of Mongolia by 24.4 percent or Togrog 5.0 billion respectively.

Net Foreign Assets

The changes in reserve money mentioned in the previous paragraph can be explained by increases (decreases) in net foreign assets and net domestic assets. The increase in net foreign assets of the BOM of 18.2 percent or Togrog 23.8 billion can be attributed to US\$ 41.3 million of import financing, which represents a 19.7 percent decline compared to last year, and to the growth of exports exceeding the growth of imports. The US\$ 28.7 million decline in the trade related balance (net) or short term capital movement deficit also played some role. On other hand, there was a substantial capital inflow into cashmere manufacturing, the mining industry, and in particular, gold mining. In addition, the first portion of the ADB's governance loan was released and sold to the Bank of Mongolia.

Net foreign assets of the BOM increased by 18.2 percent...

In the reporting period, in order to stabilize the togrog exchange rate and to partially satisfy the needs for foreign exchange, the Bank of Mongolia purchased US\$ 62.2 million and US\$ 130.2 million resulting in an increase in the cash outside the banks and term deposits. Therefore, the changes in the net foreign assets are the main source of increase in the money supply.

Net Domestic Assets

The Bank of Mongolia's net domestic assets declined by 15.8 percent or Togrog 2.9 billion compared to the previous year reaching a level of Togrog 21.3 billion. This decline was due to the Togrog 17.4 billion reduction in the Bank of Mongolia's claims on government, which currently stands at the level of Togrog 17.2 billion. The Bank of Mongolia and Ministry of Finance and Economics jointly certified claims between the Bank of Mongolia and government accumulated since 1991. Substantial claims such as payments executed by the Bank of Mongolia for the Stock Exchange building, government arrears to the Russian Federation and payments to the depositors of the Central Asia Bank, were settled. In addition, the amount of outstanding loans granted to business entities and individuals has declined by Togrog 14.5 billion if one does not exclude the non-performing loans made by the Reconstruction and ITI banks, which are being liquidated, from the banking system aggregation. Excluding the non-performing loans made by the Reconstruction and ITI and seven other insolvent banks, outstanding loans to business entities and individuals went up by Togrog 14.2 billion. The ratio of non-

The Bank of Mongolia's domestic assets are reduced by 15.8 percent...

performing loans to total loans for the banking system as a whole is around 23.4 percent.

Tools of monetary policy

In the reporting period, The Bank of Mongolia concentrated on perfecting the coordination between the tools of the monetary policy as stated in the State Guidelines for Monetary Policy.

Money supply growth shall not exceed 20 percent...

In order to contain inflation, the Bank of Mongolia actively used the reserve money program to achieve a targeted growth of money supply not exceeding 20 percent on an annual basis. The reserve money program is defined as a package of measures regulating the quantity of net foreign assets and net domestic assets, which can cause major changes in the composition of the money supply (see Box 5. "Reserve money multiplier").

...instead of lending, investing in less risky assets such as CBB

After the exclusion of the Reconstruction and ITI banks from the banking system consolidation, the amount of excess reserves within the banking system has increased, therefore, the conduct of the monetary policy in 2000 has some peculiarities. In other words, after the banking crises in 1996 and 1998, the attitude of the banks towards lending changed. Instead of making domestic loans, the banks started investing their funds in deposits with foreign banks or CBB. The above statement is proved by the fact that net foreign assets of the commercial banks increased by 22.9 percent while net domestic assets remained almost unchanged.

Although the current preference of the banks for foreign placement of resources can be somewhat justified by assessments of the current risk level, one should not forget that by successfully carrying out domestic financial intermediation the banks would have later an opportunity to share the profits of the real economy (see Box 6. "Significance of financial intermediation").

Placing the excess reserves of the banks into the CBB...

In those circumstances, in order to maintain the interest rates at a positive level in real terms and to improve the coordination between the different tools of monetary policy, the Bank of Mongolia continued to mop up the excess reserves of the banks through offering the CBB, and it used the interest rate on the CBB as a leading indicator of its intentions regarding interest rates (see Box 7. "The overall level of interest rates in Mongolia").

As lender of last resort, the Bank of Mongolia made a loan to the government to cover the seasonal revenue shortfall of the state budget, which was later fully repaid. In comparison to previous years, the central bank's lending to the commercial banks was on a much smaller scale, which reconfirms the improving financial positions of the banks.

In the reporting period, substantial amounts of the settlements between the Bank of Mongolia and Government were cleared.

Figure 33. Changes of net foreign assets and domestic credit

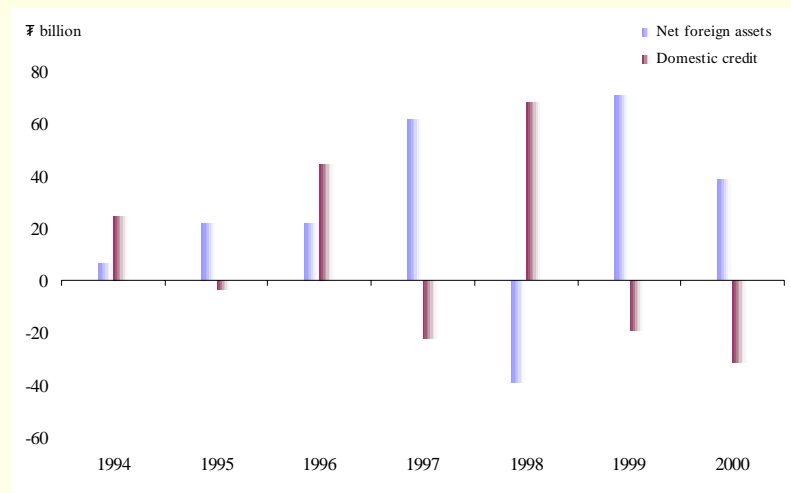


Figure 34. Reserve money and inflation

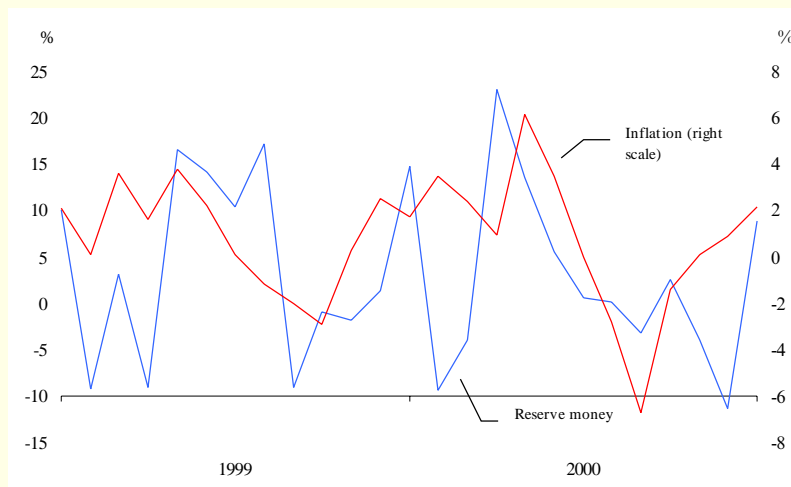
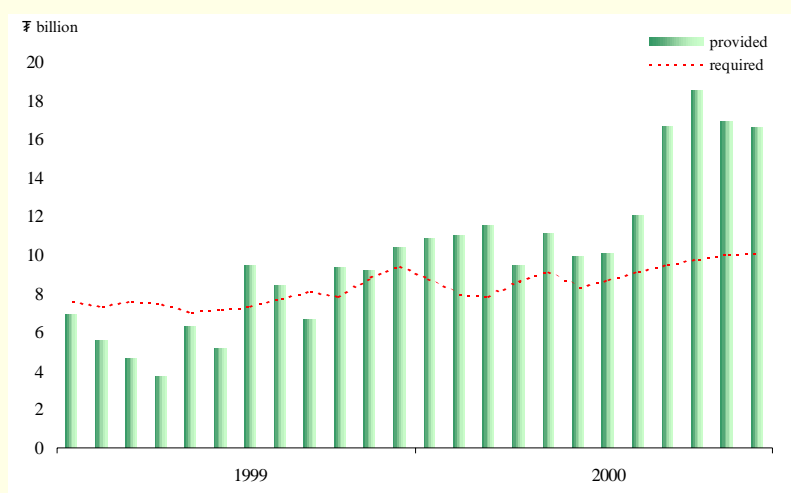


Figure 35. Reserve requirement



1. Central Bank Bills (CBB)

Using the rate on the CBB as a prime rate...

By keeping the interest rate on the CBB positive in real terms and by carrying out a unified interest rate policy through the CBB rate, which is a prime rate in the economy, the Bank of Mongolia continued to influence the level of different interest rates within the economy in 2000. The Bank of Mongolia traded the CBB with 7, 14, 28, and 91 day maturities with the commercial banks.

The Bank of Mongolia controlled the money supply, and, in particular, reserve money, by trading the CBB on the basis of the changes in the main determinants of the reserve money such as gold and foreign exchange purchases, or lending to the government. For instance, to sterilize an increase in the money supply due to the purchase of gold and foreign exchange in the second and third quarters of 2000, the Bank of Mongolia had to increase the outstanding volume of the CBB from around Togrog 20 billion to Togrog 30 billion. This demonstrates the possibility of quickly using CBB trading to offset any undesirable developments in the reserve money.

The weighted average level of the interest on the CBB is around annual 8.6 percent...

During 2000, monthly average balances of the CBB were around Togrog 23.5 billion. The weighted average interest rate on the CBB at the end of 2000 was 8.6 percent per annum, which is 10.3 percentage points lower than the level for the end of 1999.

The declining CBB interest rate has the following positive impact on the economy:

1. Not only has the interest burden for the budget on servicing the existing bank restructuring bonds declined, but the opportunity has opened for the Government to launch the market placements of short-term government bills to cover seasonal shortages in the budget revenues. As a result, the foundations of government bills as a new reliable market instrument government have been laid out. In addition, the Bank of Mongolia engaged for the first time in repo-type transactions by selling the government bills with few commercial banks creating possibilities for the fine tuning with respect to the bank reserves.

2. The decline of the CBB interest rate signaled the possible reduction of interest rates charged by the commercial banks, and in particular their lending rates. Although the non-performing loan ratio of the commercial banks was not reduced substantially, year-end levels of togrog lending rates, foreign currency lending rates and deposit rates had already declined by 4.1, 10, and 6 percentage points respectively. The fact that lending rates are coming down provides an opportunity to finance through loan longer term investments in the national economy for the first time in many years.

2. Required reserves

The Bank of Mongolia carried out a control over the daily fulfillment of the required reserves of the commercial banks in order to control the money supply through the control of the reserve money.

Box 5. Reserve money multiplier

The reserve money multiplier, which is determined by the following formula, indicates by how many times the banking system can increase the reserve money.

$$mm = \frac{cr + 1}{cr + rr}$$

mm - reserve money multiplier, cr- currency deposit ratio, rr- reserve deposit ratio

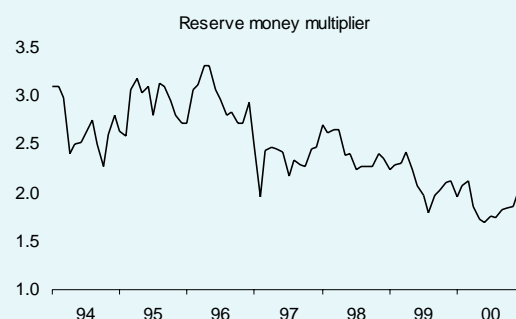
The fluctuation in the money multiplier is causing some difficulties for the Bank of Mongolia in its efforts to control the money supply.

From the Bank of Mongolia's monthly data it can be inferred that from 1994-1997 the reserve money multiplier has been fluctuating with no clear long-term trend. However, starting from 1998, the reserve money multiplier shows gradual decreasing trend. During this period, the currency to deposit ratio was increasing, while the reserve to deposit ratio remained relatively stable.

The main reason for this decline in the reserve money multiplier was the increase of the currency deposit ratio. In other words, as individuals prefer to store more cash for their wealth, more currency will be circulating outside the banking system. The implications for banks is that their excess reserves position will tighten, and subsequently, the issuance of new loans can not be expanded. Therefore, the capacity of the banking system to create money may be weakened and the reserve money multiplier would decrease.

The composition of broad money shows that the weight of currency has been increasing during the past few years, with the implications of the individuals' demand for currency is increasing. The main reasons for the increase in the demand for currencies are declining confidence of individuals in the banking system, low-income levels, a relatively high rate of dollarization, and tax evasion.

Particularly, the crises of the banking system that occurred in 1996-1998 period has weakened the confidence of individuals to the banking system and increased the demand for currency. As a result, the reserve money multiplier, which was 3.0 on average in 1996, has declined since then to 2.4.



Moreover, although in 1997 the Bank of Mongolia decreased the rate of reserve requirements from 17 percent to 14 percent, the banks were still keeping their high level of excess reserves at the central bank. This implies that the action taken by the Bank of Mongolia didn't affect the reserve money multiplier to grow.

The fact that from 1998 the reserve money multiplier has continuously declined, implies that the confidence of the individuals in the

As a result of the activities to strengthen the financial positions of the commercial banks, they have been in fulfillment of the required reserves established by the Bank of Mongolia during 2000. This situation demonstrates, on one hand, the possibility of influencing money supply through the reserve requirements, and, on the other hand, the ability of the commercial banks to meet customer withdrawal requirements, which was not always the case in the past.

The banks are in line regarding required reserves...

In the reporting period, depending on the monetary situation and growth of the excess

reserves of the commercial banks, the existing 14 percent level of the required reserves was observed and will remain in effect. As partial compensation for holding reserves with the central bank, the Bank of Mongolia paid Togrog 0.5 billion in interest to the commercial banks.

In fact, during 2000 due to their risk assessment the commercial banks instead of lending preferred to place excess reserves in the amount of Togrog 4.1-11.3 billion in their current accounts with the Bank of Mongolia. As a policy response, the Bank of Mongolia reduced the level of remuneration it paid to the banks on their reserves at the end of 2000 and plans to completely abolish the remuneration system in the first half of 2001. In 2001, the Bank of Mongolia will focus its efforts on more efficient investment of the excess reserves of the commercial banks by encouraging banks to channel the credit funds towards export and employment generation.

The Bank of Mongolia imposed total monthly credit ceilings on certain commercial banks, which were unable to meet the prudential ratio requirements for the commercial banks. This included the Savings Bank (with a ceiling until October, 2000) and Agricultural Bank (ceiling imposed November, 2000). It is worth mentioning that imposing the total credit ceilings had been an effective administrative tool to contain unhealthy growth in lending in the early or mid 1990's, and it still proves to be helpful in controlling expansion of certain commercial banks currently affected by the bank restructuring measures and which can not currently meet all prudential ratios required from the banks.

3. Central Bank Lending to Banks

Central bank refinancing lending to commercial bank is one of the indirect tools of the monetary policy. Due to the significant improvement in liquidity of commercial banks in 2000 and the disappearance of interbank settlement delays, there has been substantially less demand for the refinancing loans from the central bank. For instance, compared to Togrog 19 billion lending in 1999 to provide liquidity support to the banks, in the reporting period, the Bank of Mongolia made three loans with collateral amounting to Togrog 3.6 billion, which is 5.3 times less than the loans made in 1999. All three loans have been repaid in full.

In addition, the central bank in cooperation with the government channels through its own books certain project loans funded by donor countries or multinational agencies to support small and medium enterprises (SME) and employment generation. For example, the German government-funded "SME Development Loan", and a World Bank-funded "Private Sector Development Loan" were both transferred via the central bank. Additional projects such the ADB-funded "Housing Loan", "Agricultural Development", and "Employment Generation" loan programs are in the stage of appraisal and evaluation. In the current environment of high real lending rates, it should be emphasized that the donor-funded projects support manufacturing, investment and bear real outcome in terms of generating an employment.

...lending to the banks had decreased.

Box 6. Significance of the financial intermediation

In a general context, financial deepening stands for a financial development. This financial development should be achieved in terms of both quantity and quality. Quantitatively, financial deepening can be measured by the degree of monetization, which will be discussed at lengths in the coming sections in more detail. Qualitatively, financial deepening can be attained by the development of mature financial institutions and instruments.

Why should anyone be concerned with financial development? The study of possible measures to enhance financial intermediation is based on the assumption that financial intermediation has a positive impact on economic growth. A comprehensive study by King and Levine ¹ finds a strong correlation between financial intermediation and economic activity; in addition, the same authors ² present multi-country evidence that financial development precedes and predicts economic growth. The first explanation runs in terms of the division of labor in three different aspects. First, the monetization gives greater scope for the efficiency in production than is permitted by barter and other pre-monetary forms of exchange. While monetization outspeeds real growth initially, there is an eventual peak in the ratio of money to income at about 30 percent³, at which stage money transactions become ubiquitous.

The ratio of money M2 to GDP for Mongolia in 1992-1999

Year	1992	1993	1994	1995	1996	1997	1998	1999
M2/GDP	27.6%	21.9%	23.7%	18.5%	19.9%	20.4%	20.5%	23.8%

Secondly, there is a potentially beneficial division of labor between saving and investment. The introduction of financial instruments provides a bridge between ultimate savers and ultimate investors creating the opportunity for putting the savings of the cautious at the disposal of enterprising. Thirdly, there is beneficial division of labor in the process of financial intermediation by institutions. Investment efficiency in the economy should increase as a result of the informational advantage held by banks in dealing with borrowers. By pooling information about firms, industries, and the economy as a whole, banks should be able to judge expected returns from investment projects better than individuals and therefore, allocate the resources efficiently. Financial sector development should also induce lower costs of financial intermediation. These costs which are represented by the spread between bank borrowing and lending rates should decrease as banks gain experience and an increased supply of financial services which leads to more competition among financial services providers.

As a bank restructuring measure, a Memorandum of Understanding was concluded between the Bank of Mongolia and Ministry of Finance and Economics in June 2000, according to which the Togrog 1 billion loan made by the central bank to the Agricultural Bank of Mongolia was converted into the subordinated debt of the Agricultural Bank significantly improving the capital base of that bank.

To restructure and settle the outstanding claims of the central bank on the liquidated ITI and Reconstruction banks, Togrog 0.4 billion of claims were settled and another Togrog 0.5 billion of donor-funded loans were transferred to other commercial banks.

4. Net Lending to the Government

In the reporting period, the combined claims of the central bank and commercial banks on the government and government deposits with the banking system were Togrog 59.7

Net lending to government declines 2 times...

billion and Togrog 42.5 billion, respectively, making the net banking system claim on the government Togrog 17.2 billion, which represents two-times decline of Togrog 17.4 billion compared to last year.

That decline was primarily due to a one-time reduction of the central bank claims on government by Togrog 15 billion in December of last year.

As lender of last resort, the Bank of Mongolia made loans to the government to cover the seasonal shortages in the budget revenue, which were later fully repaid.

The loans to the government did not exceed 10 percent of the average budget revenues from domestic sources for the last three years and had an interest rate higher than the rate on the CBB. In January, the BOM advanced Togrog 6 billion with a maturity of 6 months; the interest rate was 5 percentage points above the CBB. In May the BOM advanced Togrog 12 billion with a maturity of 4 months; the interest rate was 3-5 points above the CBB. In total the government paid interest of for a total interest payment of Togrog 1.5 billion. The loan rates were in an annual terms around 19.9-22.2 percents, which exceed the weighted average rate of interest on the CBB (13.55) by 6.3-8.6 percentage points.

The government issued short-term treasury bills for the first time...

In another important development during the year, the Government launched public trading of short-term government bills for the first time. The government has sold government bills totaling Togrog 11.1 billion through three auctions since November 2000.

The short-term treasury bills have a positive impact on the development of the money market, especially in terms of adding more diversity and competition among the money market instruments. As a risk-free asset investment, treasury bills offer more market choice for investment, and more opportunities for liquidity management in the short run.

Also, the Bank of Mongolia may engage in the “repo-type” of operations by selling or buying the short-term treasury bills in order to influence the level of the interbank interest rates and bank reserves. In other words, by impacting the level of interbank market rates the Bank of Mongolia may signal its policy intentions on tightening or easing.

Additionally, treasury bills represent a more market-friendly way of borrowing funds from the general public and banks to cover the seasonal shortages in revenue, which imposes much tighter fiscal discipline on the government.

Togrog 6.3 billion of interest payments have been paid...

As a result of the agreement to link the interest service on the bank restructuring bonds held by the Bank of Mongolia to the current level of interest on the 1-month CBB and efforts to settle interest arrears from 1999-2000, the Government paid the BOM Togrog 6.3 billion in interest. In the reporting period, the bank restructuring bonds held by commercial banks and the same bonds held by the BOM yielded on average 13.55 percent and 4.08 percent, respectively.

Figure 36. Central bank bills and its interest rate

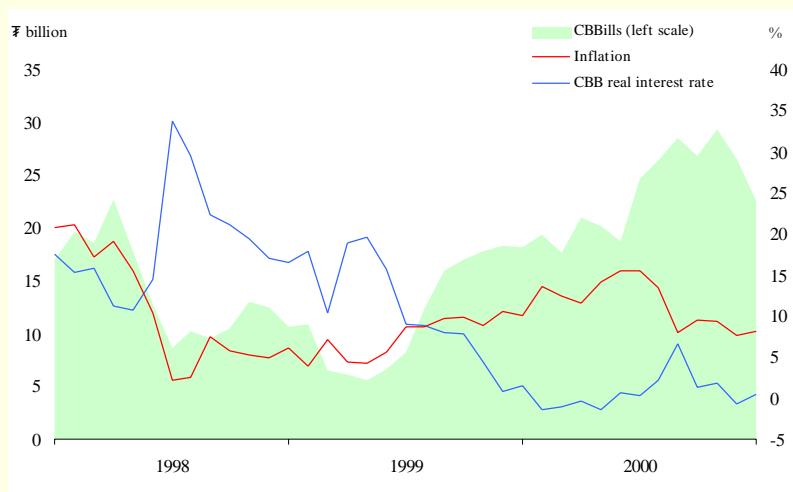


Figure 37. Changes in money supply (by sources)

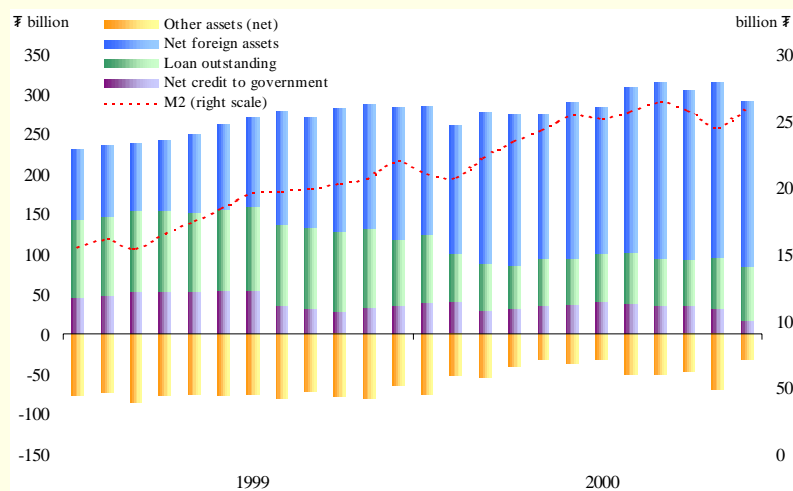
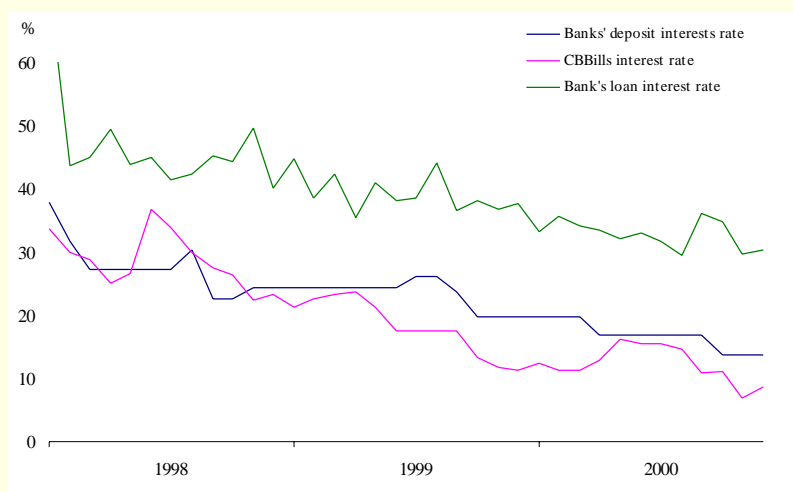


Figure 38. Interest rate



Old claims since 1991 have been finalized...

Beyond that, in December 2000 the BOM and Ministry of Finance and Economics (MOFE) reached agreement on unsettled financial claims from the period of 1991-1996. The settlement included Togrog 2.2 billion reimbursement for building repairs to the Mongolian Stock Exchange, Togrog 1.1 billion for the Government's use of the IMF Stand-By loan, Togrog 0.1 billion for payments to customers of the failed Central Asia bank, and Togrog 0.8 billion payment for Russian imports. The total settled was Togrog 4.2 billion were settled; the remaining Togrog 6.3 billion of residual settlement claims was transferred to the treasury.

Box 7. The overall level of interest rates in Mongolia

During the past 3 years the inflation rate has been declining significantly, as have the Central Bank Bills rates, the Bank's lending rate has been declining very slightly and still remains very high in real terms. In order to investigate the variables that influence the interest rates, the regression equation with variables such as money supply, expected inflation rate, demand and supply of loans, Central Bank Bills, has been estimated using monthly data for 1998-2000 period:

$$I_t = 57.691 + 0.21943 CBBR_t + 0.054078 BDTL_t + 0.0052842 CPI1_t - 0.099062 M21_t$$

<i>t</i> -stat	(15.53)	(2.964)	(2.104)	(0.06099)	(-6.809)
----------------	---------	---------	---------	-----------	----------

I_t -Interest rate for the period t

$CBBR_t$ -central bank bills rate for the period t

$BDTL_t$ -the share of budget deficit in total loan for the period t

$CPI1_t$ - CPI change in period $t-1$

$M21_t$ -money supply changes in period $t-1$

NB: Numbers in the brackets show t test statistics and if the value of t test statistic is more than 2, then the variable is assumed to be statistically significant.

The determination coefficient for the equation shows that these 4 variables explain 71.49 percent of interest rate changes. The t -test is used for each variable to determine the significance of its influence on interest rate. The test reveals that variables other than CPI are statistically significant and have certain influence on interest rates. The Central Bank Bills rate and the ratio of budget deficit were positively correlated to interest rate, while the correlation of interest rate to money supply was negative. Although, the CPI was insignificant, other variables, such as money supply and the Central Bank Bills rate, may cause multicollinearity with CPI, which means that CPI may influence the interest rate level through these variables.

The outcome of research suggests that in Mongolia an increase in money supply, a decrease in the Central Bank Bills rate and a budget deficit, can be major factors to reducing interest rates. Therefore, the following policy issues may be deduced:

1. In order to reduce interest rates in a low inflationary environment, the Bank of Mongolia should continue with the reduction of the Central Bank Bills rate.
2. As stated in the monetary policy guidelines for 2001, in order to maintain the economy's expansion, the money supply growth planned to be within 30 percent. Therefore, if this estimate of 30 percent increase of M2 is assumed in the above model, then the interest rate for 2001 will decrease by 8 percentage points. However, if inflation goes up due to a sharp increase in the money supply, the interest rate could go up as well. Consequently, money supply growth should be controlled carefully.
3. The budget deficit should be reduced.
4. Enact a competition among commercial banks and non-bank financial institutions. Establish participation of large foreign banks in the Mongolian banking system through the privatization of banks.

As a result of this cleaning, net banking system lending to the government was reduced 6.0 percent to Togrog 59.7 billion. The majority of claims are bank-restructuring bonds.

In a future, the Bank of Mongolia will cooperate with government on the gradual redemption of the bank restructuring bonds held by the Bank of Mongolia and certain commercial banks.

The gradual redemption of the bank restructuring bonds will add to the lending opportunities of the commercial banks and provide more space for further decline in the level of interest rates within the economy.

In the reporting period, several claims of the Bank of Mongolia on non-banks have been resold, submitted to the court or court decisions have been issued, therefore, Togrog 4.7 billion of claims on NIC Petroleum Co., Hailaast goldmine and Agrotechnik Impex Co. have been settled.

Togrog 4.7 billion of claims have been settled...

2.2. FOREIGN EXCHANGE POLICY AND RESERVE MANAGEMENT

Reserve Management

Net official foreign exchange reserves were increased by 11.5 percent...

As of year-end 2000, net official foreign exchange reserves reached US\$ 130.4 million, which is 11.5 percent higher than the previous year. The increased reserves cover 11.8 weeks of the country's imports.

Gold purchase from domestic gold mining companies were increased by 12.5 percent...

Revenues from gold trading were the main contributors to such growth of the net official foreign exchange reserves. In 2000, the Bank of Mongolia purchased 12.3 tons of gold from domestic gold mining companies, which constitutes 12.5 percent growth equivalent to 1.4 tons in comparison to the previous year.

Despite the fact that the average price of gold remained lower throughout the year compared with 1999, use of gold derivatives in international markets was an important tool for risk management and reduction of the overall exposure. In 2000, volume of gold trading remained almost the same as in the previous year at US\$ 82.8 million.

Prudential management was conducive to the increase of foreign exchange reserves...

Proper planning of the market trends, based on observation and analysis of the international foreign exchange and gold markets, allowed the Bank to generate net profit from interest on foreign exchange and gold deposits, including gold trading operations, totaling US\$ 2.1 million. Total deposits in foreign exchange were increased by 30 percent and equaled to US\$ 139.5 million. In addition, the Bank earned US\$ 6.9 million and US\$ 95.0 thousand as an interest on foreign exchange and gold deposits respectively. Trade limits for individual correspondent banks were set up in accordance with their international ratings. The Bank of Mongolia has introduced new intermediary services in gold export for the domestic gold mining companies. Thus, the prudential management and regulation of foreign exchange risk was greatly conducive to such an increase of foreign exchange reserves.

Exchange rate policy

Togrog exchange rate has remained relatively stable...

In 2000, the real Togrog exchange rate was calculated continually and substantial efforts were taken to stabilize the nominal exchange rate and facilitate interbank market development. Except for the minor short-term fluctuations due to the temporary increase in demand and supply during March-May, the Togrog exchange rate otherwise remained relatively stable throughout the year. The margin between the mid-point rate of the domestic interbank trade, declared by the Bank of Mongolia, and the black market rate was negligible. By the end of 2000, the Togrog/US\$ exchange rate depreciated by 2.24 percent, which is 16.5 points lower than the previous year.

High priority was given to expansion of the domestic foreign exchange market, improving the legal framework and eliminating causes of the deficit due to speculation. Besides the increase of foreign exchange trade with banks, the Bank of Mongolia has made amendments to the guidelines governing forex transactions by eliminating certain

Figure 39. Net international reserves

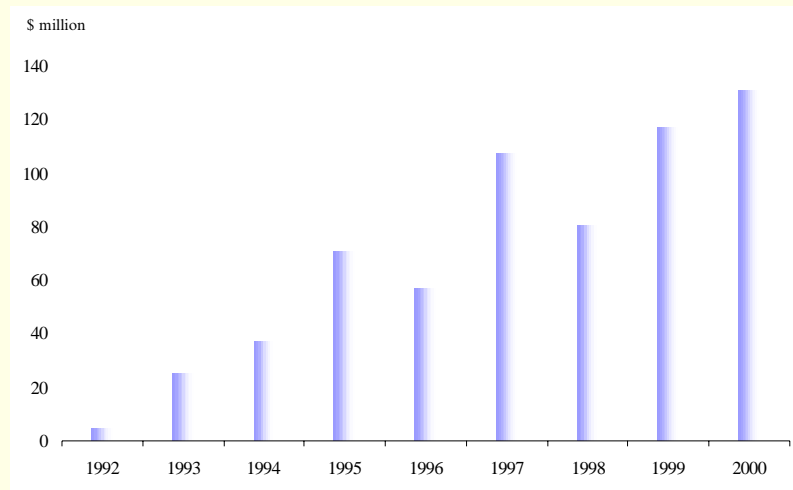


Figure 40. Togrog rate against US dollar

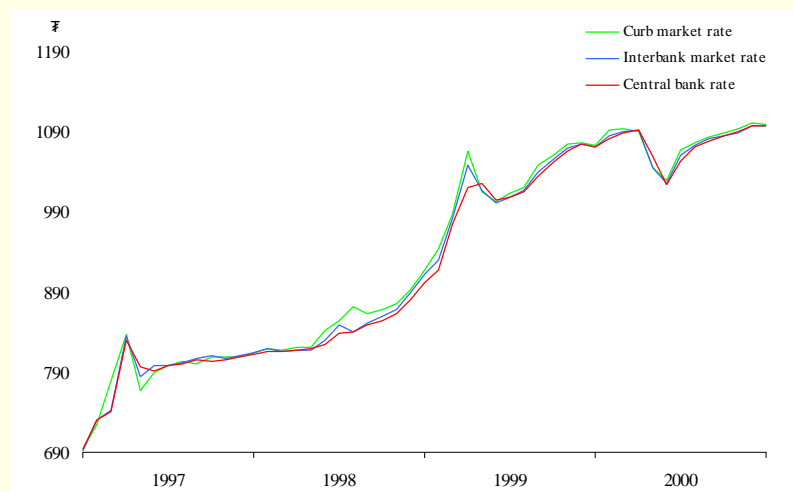
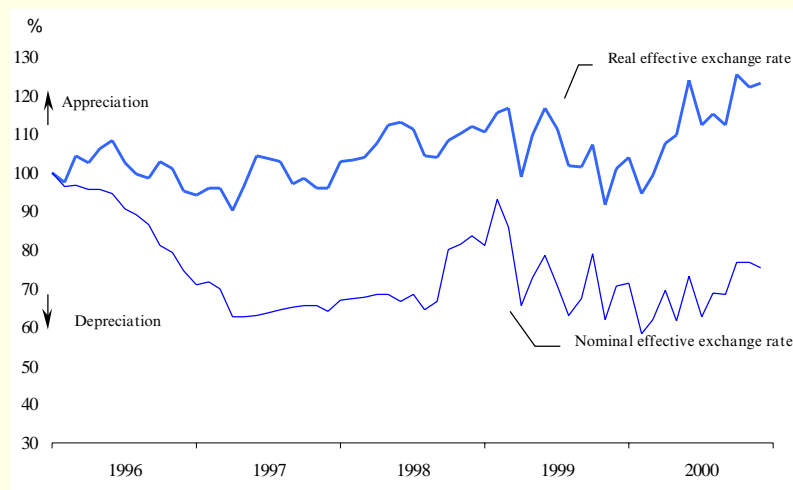


Figure 41. Real and nominal effective exchange rate



High priority was given to expansion of the domestic foreign exchange market...

irregularities with the aim to ensuring the stability of the exchange rate.

In order to facilitate the development of a wide range of nonbank financial institutions, licenses were granted to 66 foreign exchange points.

Acting as a financial intermediary of the Government

...principal and interest of loans totaling US\$ 17.9 million were repaid

In 2000, the Bank of Mongolia executed repayment of principal and interest of loans totaling US\$ 17.9 million under bilateral and multilateral agreements between the Government and the IMF, World Bank, ADB, and foreign governments, banking and financial institutions. The BOM received loans in a total amount US\$ 80.8 million.

Following the reconciliation process, jointly undertaken with officials of the MOFE, the discrepancies in balances of the Government's accounts and the Central bank records were settled. Under the World Bank technical assistance on fiscal management, the BOM, in collaboration with the MOFE, prepared tender documents to procure management software for debt accounting and external liabilities..

Foreign Exchange Supervision

With the purpose of enforcing the fulfillment of the Law on Central Bank and the Law on Currency Settlements and other legislative acts issued in conformity with them, in particular, Joint Order of the Governor of Bank of Mongolia and Minister of Finance (old name) 153/155, 25/88, and to maintain compliance of business entities, organizations and individuals with legal requirements to execute all payments in Togrog for transactions conducted in the territory of Mongolia, the Bank of Mongolia conducted frequent examinations. Offenders were fined a total amount of Togrog 3.5 million.

Foreign exchange operations at commercial banks were closely monitored. During the year under review, new licenses for foreign exchange operations were granted to Anod and Zoos banks. In accordance with the revised Regulation on Foreign Exchange Exposure, the banks were required to report their open exposure on a daily basis, which has greatly enhanced the effectiveness of off-site examination.

2.3. SUPERVISION OF FINANCIAL INSTITUTIONS

Main Objective

In order to ensure the stability of the financial sector and protect the rights of depositors, the Bank of Mongolia endeavors to perform prudential supervision of banks and other financial institutions in accordance with the standards and guidelines issued by the Basle Committee on Banking Supervision.

Main objective-to implement all international supervision standards related...

Developments in the Financial Sector

In the year 2000, real gross domestic product growth decreased due to slowdown in the growth of agriculture, manufacturing and construction sectors. But the banks have successfully passed through the times of slowdown by concentrating their activities on the growing sectors such as service, trade and mining. The banks' share of non-performing loans to total loans decreased by 13 percent, while total assets, deposits and capital increased by 23.8 percent, 24.6 percent and 50 percent respectively.

Banks successfully dealt with economic slowdown...

In addition, the Bank of Mongolia carried out the restructuring of two insolvent banks, Reconstruction and ITI; the BOM also concluded a two-year memorandum of understanding with the Agricultural Bank, simultaneously transferring the management of the later to high-ranking foreign specialists. As a result, payments of the banks' customers are no longer delayed, which directly contributes to restoration of public confidence to the banking sector.

In addition to bank restructuring activities, the Bank of Mongolia, cooperatively with other regulatory bodies, has taken actions to improve the legal framework. Amendments regarding mitigation of credit risk, disposition of collateral, and improvement of the bank supervision framework were submitted to Parliament for approval. These amendments were approved by the Parliament during the spring session of the year 2001.

One positive factor as compared with recent years was the stimulation of the activities of non-bank financial institutions. Last year, five new non-bank financial institutions were established.

The Bank of Mongolia has taken actions to improve the accounting and internal auditing framework of banks and non-bank financial institutions and to upgrade the relevant regulations to impose prompt corrective actions on financial institutions, which have begun to face financial problems.

Due to the "tight" monetary policy implemented by the Bank of Mongolia, the level of inflation has been reduced, and foreign exchange rates remain stable. The regulatory authorities have taken actions to improve the legal framework, especially legal acts related to fulfillment of obligations, thereby reducing several risks of financial organizations.

Scope of financial intermediation is increasing...

As a result, the banks' interest rates have begun to decline. This increases the scope of financial intermediation by contributing to the establishment of the financial system able to support economic growth.

Aggregated indicators of the banking system and its supervision

The macro-prudential indicators of the banking system show the following developments as of the end of 2000..

1. Capital Adequacy

The Bank of Mongolia has established a 10 percent minimum requirement for the risk weighted capital adequacy ratio (further referred as RWCR). At year-end 2000, the banking system's RWCR was more than 20 percent. In addition, the minimum equity capital requirement has been raised to Togrog 2 billion which the banks are required to meet prior to June 2001.

Because of contributions to paid-in capital from the private sector, the increase in bank profitability, concentration of the banks activities on a few reliable customers, and proper allocation of the resources in less risky assets, the capital adequacy ratio of the banking system increased by 6.6 percent to 27 percent during the last year and continues to improve.

2. Liquidity

The liquidity ratio (minimum 18 percent) and fulfillment of the reserve requirement (minimum of 14 percent) are the main indicators used by the Bank of Mongolia for its evaluation of the liquidity position of banks.

During the last year, the liquidity ratio of the banking system declined marginally from 56.4 percent to 55.4 percent. The banks allocated their resources in very liquid and less risky assets; thus the liquidity ratio of the banking system remained at more than 50 percent throughout the year.

3. Lending and quality of the loan portfolio

Total loans of the banking system, which were Togrog 49.6 billion at the end of 1999, increased 8 percent each quarter to Togrog 67.7 billion at the end of 2000. The amount of non-performing loans has been reduced by Togrog 2.5 billion; therefore the share of non-performing loans to total loans has decreased by 13 percent to 23.4 percent. But one should take into account the fact that such significant decrease was mainly caused by strong growth in lending.

The banks' main financial problems were caused by their lending activities; lack of sufficient information about borrowers and failure to thoroughly analyze borrowers'

Risk-weighted capital ratio is above Basle Committee standards...

All banks met liquidity ratio...

Quality of loan portfolio is improving...

Figure 42. Liquidity ratio

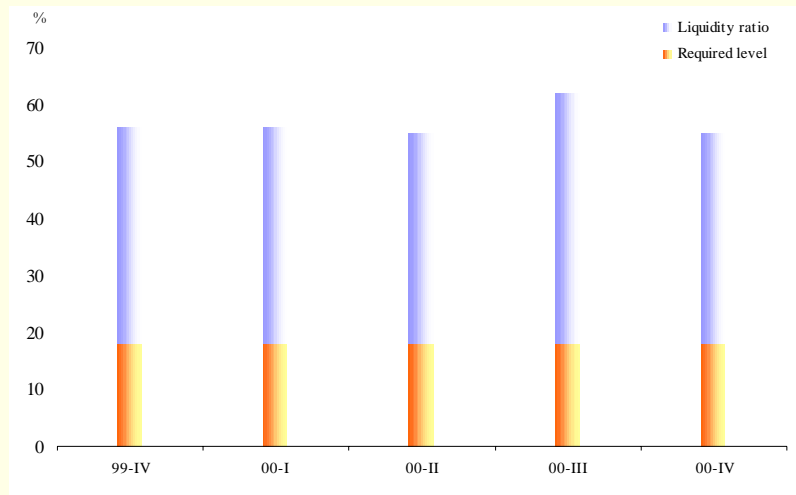


Figure 43. Capital adequacy ratio

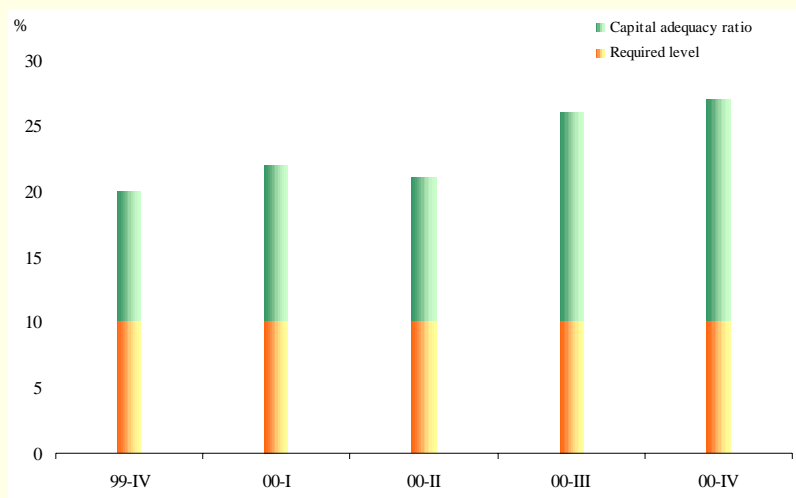
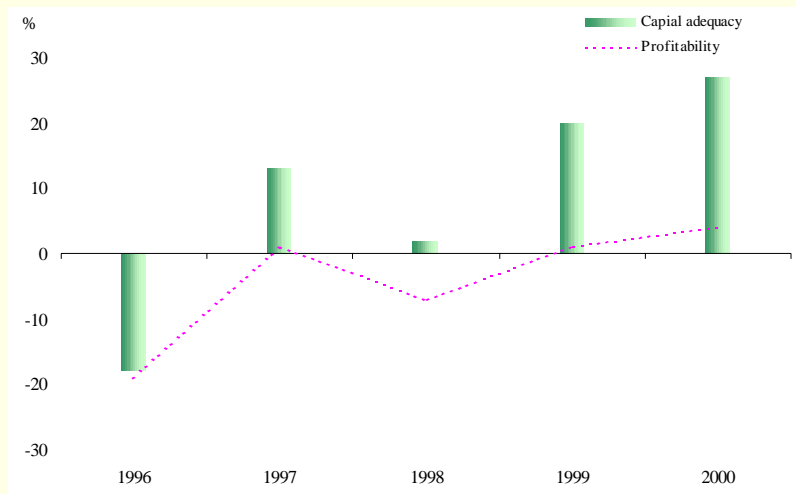


Figure 44. Capital adequacy ratio



activities lead to deterioration of the quality of the loan portfolio.

Therefore, in order to assist the banks to mitigate credit risks and to limit lending to borrowers with loans classified as non-performing, actions to improve operations and relevant legal framework of the Credit Information System (further referred as CIS) have been taken. The CIS collects information about borrowers of banks and non-bank financial institutions on the basis of a specific agreement, to permit sharing of this information ; and the CIS prepares specific monthly reports on borrowers which “owe” non-performing loans and have several credits from different banks.

Information on 4,408 borrowers of insolvent banks, with outstanding credit amounting to Togrog 25.9 billion later transferred to the Mongolian Asset Recovery Agency, has been included in the CIS information database. Now the CIS contains information on 11,827 borrowers with outstanding credit amounting to Togrog 126.9 billion.

Information has been updated in accordance with the following schedule: information about new loans, repayments, changes in name and addresses-daily, information about rescheduled loans monthly, and information about loans at the Mongolian Asset Recovery Agency -quarterly.

During the past year, the CIS provided to the banks information on 782 borrowers to various banks and updated its database about 273 new borrowers with outstanding amounts of loans estimated Togrog 132.3 billion. Actions to improve the operations and software of the CIS have been taken.

4. Market Risks

The majority of assets and liabilities of banks have a very short term maturity profile. As basis or variable interest rates are generally not used by banks, the probability of insolvency from interest rate risk is very low. Nevertheless, concentration of short-term household deposits and long-term Government securities in some banks, which represent a significant position in the banking system, creates some evidence of systemic risk.

In order to keep foreign exchange risk at an appropriate level, the Bank of Mongolia has established certain limits for banks' net open positions (not to exceed 10 percent of capital in any one currency or 20 percent of capital in the overall position) and supervises its fulfillment by specific regulation. At year-end 1999 the ratio of net open position to total capital of the banking system was 6.6 percent, which decreased to 1.8 percent at year-end 2000. This decrease in the ratio was mainly caused by the increase in capital of banks.

Restructuring of the Financial System

1. Supervision System

Forex risk ratio of the banking system is within the established limits...

As a result of developments in the international financial markets, banks have expanded their operations. Thus, in order to perform effective supervision, it has become important to establish close communications with the domestic foreign regulatory bodies. Therefore, the Bank of Mongolia is cooperating with the host country supervisors of foreign investors and banks, which have correspondent relations with Mongolian banks.

Trying to cooperate with the foreign supervisory authorities...

To improve financial supervision, the BOM drafted an “Off-Site Supervision Methodology” and amended the “On-site Supervision Guidelines”. The methodology and guidelines contain detailed paradigms for financial analyses, risk assessment, evaluation of the probability of insolvency and prompt corrective actions.

In order to determine more precisely the consequences of different risks and to prevent the financial system from systemic risks, the Bank of Mongolia has begun to use special stress testing software in its analysis. During 2000, 12 banks and four non-bank financial institutions were involved in overall examinations, and four banks, 66 foreign exchange offices, and the Mongolian Asset Recovery Agency were involved in partial or targeted examinations. In order to ensure the safety and soundness of the financial system, to widen financial intermediation in the rural area, and to improve the legal framework, the Bank of Mongolia together with international financial organizations implemented the following projects: “Financial Sector Program Loan-Second Tranche”; “Banking Sector Development and Improvement of the Skills and Knowledge of Bank Employees” (Asian Development Bank), “Financial Sector Adjustment Credit” (World Bank), and “Rural Finance Development Project” (GTZ Germany).

2. Corporate Governance and Internal Audit

It's very important from the supervision perspective that corporate governance principles are fully implemented and contribute to more stable and profitable operations. The New Company Law, which was approved by the Parliament, addresses in more detail than the previous law some of the principles regarding rights of shareholders, roles of board of directors, and insider transactions. Notwithstanding, the relevant legal acts need further improvements to address the rights of other stakeholders such as the state, bank customers, depositors, and employees.

Implementing corporate governance principles...

On the basis of documents released by the Basle Committee on Banking Supervision, the Bank of Mongolia has drafted and approved a new regulation on banks' internal audit. This was an important move toward further development of internal control systems, risk management and structure.

3. Accounting and Audit Framework

In order to bring accounting of contingent off-balance sheet items, classification of assets, and asset pricing into accord with new amendments in the international standards, the BOM amended the accounting regulations for banks and approved new accounting regulations for non-bank financial institutions..

International reputable audit companies are auditing the financial statements of banks...

Additionally, banks whose total assets represent more than 10 percent of total banking system assets are required to be audited by internationally recognized audit companies with a high reputation, such as Arthur Andersen Mongolia Audit – LLC and Ernst & Young Malaysia. Financial statements of other banks are audited by the domestic auditing companies, such as NIMM Audit, Dalai Van Audit, Itgelt Audit, Tushlegiin Bulag Audit etc, licensed by the Bank of Mongolia. The National Councils on Payment Systems and Bank Accounting were merged, and operational guidelines for the newly established Council on Bank Accounting and Payments Systems, were approved.

4. Transparency and Disclosure

In accordance with the Banking Law, banks quarterly disclose their financial statements to the general public, and the Bank of Mongolia ensures the reliability of the presented information. This contributes to the market discipline encouraged from the shareholders, customers and depositors of the banks.

In addition, the implementation of the Data Dissemination Standards, approved by the IMF, was reviewed, and relevant actions to improve it further were introduced into the monetary policy for 2001.

5. Non-bank financial institutions

*Total assets of NBFIs
Togrog 2.9 billion...*

The Bank of Mongolia is concentrating its attention to the establishment of the legal framework suitable for the non-bank financial institutions, especially for the micro-credit institutions, to conduct their operations in a stable and profitable manner.

Currently our financial system has seven non-bank financial institutions officially licensed by the Bank of Mongolia. Assets of the NBFIs totalled Togrog 2.9 billion at year-end 2000.

The operations of the “XAS” micro-credit institution are conducted in a stable and profitable manner. Its loan coverage ratio is more than 99 percent, which is higher than the ratios of similar type institutions.

6. E-banking

In order to impose prudential supervision on new banking activities encouraged by the developments in the information technology sector, the Bank of Mongolia is intending to conduct detailed research into E-banking and will draft new regulations.

7. Combating Pyramid Schemes and Money Laundering

Actions were taken to cease the occurrence of money laundering at several small organizations, which were conducting their operations through pyramid schemes in

violation of the Banking laws and other laws. In order to prevent further occurrence of these types of activities, the necessary studies were conducted and proposals of actions to be taken were drafted and submitted to the Ministry of Justice and Internal Affairs. It's considered that the principles, issued by the Financial Action Task Force of the OECD, to combat money laundering should be fully implemented.

Actions to cease several cases of money laundering were taken...

2.4. CASH SUPPLY, ACCOUNTING AND INFORMATION TECHNOLOGY

Cash Supply

As for the end of the reporting period, cash in circulation totalled 105.2 million banknotes or Togrog 107.4 billion, a 17 percent increase from the previous year. Cash in circulation represents 41.5 percent of total money supply.

In 2000, the demand for larger denominations, such as 5000 and 10000 notes, increased, and their monetary volume in the total cash represents 88 percent. Although demand for 10 and 20 denominations has reduced and 50, 100 and 500 denominations are overtaking their role, the 10, 20, 50, and 100 togrog denominations still play a major role in providing means of exchange.

In order to improve the quality of banknotes and to speed up the turnover of cash, the Bank of Mongolia withdrew Togrog 139.9 billion from and supplied Togrog 82.7 billion to the commercial banks. Togrog 110.6 billion of the withdrawn cash was counted, of which Togrog 79.8 million soiled and worn out banknotes worth Togrog 31.6 million were liquidated. In 2000, the volume of banknote liquidation went up by 52 percent, and the Bank of Mongolia had to intensify its banknote destruction activity. In addition, to replenish the stock of banknotes, Togrog 62.7 billion of new banknotes were issued into circulation. The head office supplied cash worth Togrog 87.5 billion (42 occasions) and withdrew Togrog 0.7 billion (12 occasions) to and from the countryside branches of the Bank of Mongolia.

Banknote destruction activity has been intensified...

In 2000, Togrog 187.5 million of 20, 50, 100 and 200 togrog denomination coins were issued into circulation.

Accounting

The accounting activity at the Bank of Mongolia concentrated on timely execution of domestic and international payments, securing correct and efficient consolidation of data, and introduction of the latest technological advances into the interbank clearing system.

Timely execution of domestic and foreign transactions...

In accordance with the settlement agreements concluded with the banks, daily reconciliation of temporary clearing and current accounts has been duly carried out and all transactions originated inside the interbank network have been properly posted after the stages of control and check.

In the reporting period, in order to further improve the interbank settlement system, the Interbank clearing regulations have been amended.

The Interbranch settlement regulations have been re-written to reflect same day posting and reconciliation of interbranch accounts and tightening of the responsibilities for

employees working in the settlements settlements. As a result of those changes, interbranch settlements are executed and reconciled on a same day basis. The DMF file is used for the daily reconciliation of the settlements significantly reducing costs and time of the reconciliation.

Table 14. Banknotes issued in circulation

Notes	1999		2000		changes in percent
	million ₮	share of total	million ₮	share of total	
1	24.7	0.0	24.7	0.0	0.0
3	14.2	0.0	11.8	0.0	-16.9
5	64.1	0.1	71	0.1	10.8
10	116	0.1	129.8	0.1	11.9
20	174.9	0.2	174.6	0.2	-0.2
50	386.6	0.4	144.7	0.1	-62.6
100	2079.8	2.3	1020.8	1.0	-50.9
500	5869.5	6.4	3357	3.1	-42.8
1000	10416.8	11.4	7177.8	6.7	-31.1
5000	28967	31.6	42491	39.6	46.7
10000	43453.9	47.5	52791.4	49.2	21.5
	91567.5	100.0	107394.6	100.0	17.3

The interbank and interbranch computer network was switched to an automatic dialing regime in April of 2000 with concomitant changes in the software.

In 2000, 705.7 thousand transactions of intrabank nature and 12.2 thousand transactions of interbranch nature have executed through the unified network of the Bank of Mongolia.

In accordance with a the settlement agency agreement with the government, the Bank of Mongolia acted as a settlement agent for some government accounts, and on average it executed around 20.0 thousand documents.

In addition, the Bank of Mongolia controls interbank foreign exchange settlements within the limits derived from the banks' prudential ratios. In total, 137 transactions related to foreign exchange reserve management and arbitration were carried out through the central bank books.

Information Technology and Software

To bring the accounting software of the commercial banks in line with international standards, our side is cooperating with the winner of a software tender - the Australian software company FNS. The software license, user and service agreements have been concluded with that company and, on the basis of the agreements the user requirements, technical specification and project implementation plan have been worked out. Since September of 2000, the FNS has undertaken preparations to start piloting of new software at the Trade and Development Bank of Mongolia, and this project shall be finished by the end of 2001 with the installment of the software at six commercial banks.

2.5. MANAGEMENT AND ORGANIZATION

Personnel and Training

According to the Bank of Mongolia Governor's Resolution of October 6th, 2000 with registration number 474, the Bank of Mongolia's department and division goals and organization chart were renewed. By the end of the reporting year, the Bank of Mongolia had six departments, nine divisions, one special brigade, six units, and 20 branches. The total number of employees was 286 of which 195 people worked at head office. Among those, 15 hold master degrees and one master of philosophy obtained from the United States, United Kingdom, Japan, and Mongolia.

The Bank of Mongolia's human resource policy guidelines were focused on improving the staff members professional level systematically, providing economic and financial independence, and undertaking necessary measures related to social security, wages, housing, health care, cultural events and others.

The Bank of Mongolia developed a special training program to bring staff members' knowledge and professional skills to the level of the modern banker and improve their professional experience. Training organized by the IMF, World Bank, the Bank of Mongolia, and other financial institutions, has been implemented according to this program since 1996. In 2000, 66 people attended training abroad and 39 people here in Mongolia.

The Bank Training Center aimed its main activities toward strengthening the financial condition of the center, improving the quality of abroad and home training organized by the center, and raising bankers' level of knowledge and professional skills to meet the needs of the market economy. The center also organized various lectures and discussions for bankers to introduce and explain the rules, regulations, and resolutions issued by the Bank of Mongolia.

Principal changes were made in the content and quality of home training. For example, lectures were given to bankers based on current burning issues and selected topics by experienced lecturers with master's degree, who have theoretical and practical experience. In order to improve bankers' foreign language knowledge, English classes were provided on a continual basis. Also discussions between bank directors, specialists and senior students in Banking and Finance Department became one of the important steps to give an overall picture of the banking system.

In 2000, training classes were given 18 times in asset and liability management, loan management, internal audit, bank marketing, securities, and others. 303 bankers attended these training classes.

The Bank Training Center was engaged to train not only bank peoples but also employees of deposit and loan cooperatives (DLCs) and non-bank financial institutions. In

The Bank Training Center's activities are expanding ...

The content and quality of training have been improved...

cooperation with the Asian Regional Deposit and Loan Cooperative Union, a seminar on “Financial Management” for 45 staff members of DLCs and non-bank financial institutions was held. In addition, the Bank Training Center organized a seminar on “Competitiveness” in cooperation with USAID and the Mongolian firm Invesco Ltd. .

Training was given 18 times and 303 bankers have been trained ...

Moreover, the Bank Training Center organized a seminar on the “Mongolian Financial Sector’s Medium and Long Term Strategy”; 51 people were involved including members of Parliament, Ministers, the World Bank, ADB, representatives from donor countries and other international organization,, Indian Embassy personnel, and specialists from the Ministry of Finance and Economics and Ministry of External Affairs .

The Bank Training Center also paid close attention to development of foreign relations. The “Mongolian Bankers’ Training” program in cooperation with the Swedish Development Agency will provide training for 130 individuals. In 2000, 28 people were involved in this training. Within this program framework the most important topics facing Mongolian banking system are included. Lectures are given during the first week followed by a bank tour in the second week. Thus, we prepare lecturers for the Center. This training will play a very important role in improving the knowledge and education level of Mongolian bankers. Fifteen people from the Ministry of Finance and Economics and banks were involved in training to study the Luxembourg banking system; the program will be continued in the future. Furthermore, Mongolian bankers study in Swiss universities and institutes.

“Mongolian Bankers’ Training” program was developed and is been implemented ...

Also, bankers were involved in a seminar organized by the ADB in Tokyo on “Improvement of Bank Ability”. We expressed an interest to provide training for our specialist at the Bank Training Institute of India.

The Bank Training Center’s external relations are expanding...

Internal Audit

During the reporting year, the Internal Audit department of the Bank of Mongolia undertook measures according to its operation guideline as follows: to monitor and ensure all departments at the head office and countryside branches were in compliance with legislation, to protect from possible risks and loss, to investigate and correct any irregularities, and to take swift action and provide sound advice.

...according to its operation guideline ...

In 2000, 72 full or partial inspections were conducted in all departments and branches and Togrog 38.5 billion of irregularities were discovered. Out of this, Togrog 34.0 billion penalties were eliminated, 25 Acts of State Inspector totaling Togrog 3.6 billion were issued, five notifications were sent, and orders were given to eliminate all irregularities. Penalties amounting to Togrog 600.0 thousand were imposed on employees.

Togrog 38.5 billion of irregularities were discovered ...

Research work was completed to determine the future prospects of the Bank of Mongolia’s countryside branches in accordance with the location of branches in certain areas, population, industry, agriculture, infrastructure and other development guidelines. This research complies with the Government’s policy on regional development.

Research work on branch future prospect ...

The internal audit on the most risky operations were made...

“Regulation on the Evaluation and Audit for the Branches of the Central Bank (the Bank of Mongolia)” and “Handbook for Inspectors of the Internal Audit Department” were prepared and adopted.

In addition, auditing of the Bank of Mongolia financial statements by Ernst & Young was organized.

The action plan and general principles for implementation of management and financing ...

The Internal Audit department has classified central bank units by their degree of risk. The internal audit of the most risky operations were made constantly such as international reserves, reserve management, all payment activities using computer techniques, technologies and network, the security and guarding of central bank head office and branches, the storage and transportation of cash, and others.

The action plan and general principles for implementation of management and financing of the Bank of Mongolia budget according to the Governor’s Resolution of June 25th, 1999, was developed and estimated value of product for all departments and divisions in 2000.

2.6. INTERNATIONAL COOPERATION

In 2000, the Bank of Mongolia has continued its co-operation with various international financial organizations.

Since the Governor of the Bank of Mongolia serves as the Governor for Mongolia in the Asian Development Bank, our activities also focused on ensuring proper attention to channeling communications and regulating all operations related to the coordination and monitoring of ADB funded programs and projects.

A Poverty Partnership Agreement was signed between the Government of Mongolia and the ADB on March 24, 2000 following the completion of the 2000-2004 Country Operational Strategic Study. The Government confirmed its commitment to continued policy reforms in general and, in particular, the policy actions supported by ADB under various loans and technical assistance programs.

Strategic objectives and 2000-2001 loan and technical assistance program of the ADB for Mongolia were extensively discussed and approved. Within the framework of Poverty Reduction Strategy, the total lending to Mongolia in 2000 reached US\$ 42 million and with the total technical assistance of US\$ 3.6 million mainly to support the development of financial, social and agricultural sectors.

New agreements on gold refining activities and on production of commemoratives gold and silver coins were signed with Credit Suisse First Boston Bank and German Giesecke & Decrient Company, respectively.

cooperation with various international financial organizations was continued...

2.7. DEVELOPMENT OF BANKING LAWS AND ACTS

The following amendments were made in the Law on Revenue Tax of Business Entities and Organizations by which banks are guided in their operations. Interest on savings of individuals will not be taxed until 2003. However, Loan Loss Provisions (Allowances for Loan Losses) will be included in the revenue to be taxed.

A set of measures was undertaken to implement the amendments made to the Banking law in the previous years, to develop the legal acts adopted and enforced by the Bank of Mongolia, and to bring these acts into conformity with the above-said amendments.

2.8. CHRONOLOGY OF THE BANK OF MONGOLIA POLICY AND BASIC POLICY MEASURES

Month, Day	Resolution	Legal Act Title	Brief Content
1.05	9	Recommendation on Bank Interest Risk	Defines rights and obligations of the Bank of Mongolia, Representatives Council, Executive Director, Assets and Liabilities Management Committee, and Supervision Department, in the implementation of interest rate risk guidelines and of monitoring, as well as providing methodology to define interest rate risk levels.
1.12	19/04/12	Regulation on accumulation, disposal, and reporting on assets seized as a result of bank's outstanding loans by Courts, Prosecutors, and Bailiffs institutions	This regulation was adopted for the purpose of speeding up the repayment of bank loans and for cooperating with law enforcement institutions.
1.12	23	Manual on writing on-site examination of bank operations and finances	The manual defines standards, samples of on-site examination of banks and their units operations and finances by the Bank of Mongolia auditor and of executing acts.
1.19	37	Regulation on Examination and evaluation of the work of Branch Representative offices of the Bank of Mongolia in the countryside.	The Regulation defined principles and indicators of examining and evaluating the work of Branch Representative offices of the Bank of Mongolia in the countryside.
1.21	39	Increase in Bank's Minimum Statutory Capital	Increases the minimum required statutory capital for commercial banks to Togrog 2 billion by June 30, 2001.
1.27	52	Extension of Licenses	Licenses of five companies conducting bank auditing were renewed for another year.
1.28	53	Amendment to the Regulation	The Regulation on Foreign Exchange Exposure was amended to the effect that foreign liabilities would include all contracts on purchase of foreign currency, all risky guarantees, letters of credit on import provided for 90 or more days and/or extended. Positions are to be defined by differences between assets and liabilities.
1.31	54	Amendment to the Regulation	The terminology used in the regulation on issuing permits to banks to conduct foreign currency operations was clarified.
2.1	74	Adoption of the Plan	The Plan of Structural Changes (Restructuring) of the Agricultural Bank in the framework of receivership actions was adopted. The plan provides for the Agricultural Bank to be retained as the basic bank, which conducts banking and financial operations in rural market areas. The bank must increase its capital to the required level, and improve its operation to restore its profitability and position it for sale/privatization in future.
2.28	112	Contribution to the SEACEN Trust Fund.	In view of becoming a member of SEACEN, the contribution was made to its trust fund.
3.2	133	Adoption of the Regulation.	Regulation on Accounting, Balance Sheets, Chart of Accounts and reporting forms for cash, income, and expenditures were adopted and enforced.
3.31	172	Amendment to the Regulation.	The Regulation on Inter-Bank Clearing Settlement was revised to the effect that the delayed clearing account was split into two accounts defined as a temporary transmission account and a delayed transmission account. These new accounts will be added to the Chart of Accounts.
4.13	194	Adoption of the Regulation	Organization of public awareness on the Bank of Mongolia's activities, subject, content, programmes were defined.
4.18	203	Amendment to the Regulation	Procedures for establishment of branches of NBFIs, and types of NBFIs were defined.

4.27	220	Adoption of Strategy Program	Long and medium-term objectives of financial development of Mongolia were defined.
5.9	241	Adoption of the Regulation	The principles of the activities of the Bank of Mongolia vault: registration, storing, delivery, and transportation of valuable items in the vault.
5.1	242	Revision of the Regulation	The Regulation on the principles guiding the cash-flow of commercial banks, cash transactions, accepting, registration deposit payment and delivery cash was revised.
5.12	247	Adoption of the Regulation	Prudential ratios for non-bank financial institutions, including ratio calculation methodology, were defined for the first time.
6.12.	275	Amendment to the Regulation	The regulation was amended to the effect that the interest of Central Bank bills bought after the auction date would be calculated at a discount rate.
6.15	278	Adoption of the Revised Structure of the Bank of Mongolia.	The structure of the Central Bank was revised to the effect that it would have nine departments, five divisions, two agencies and one section.
6.23	189\303	Adoption of the Regulation	The regulation states that the assets repaid in the implementation of the ADB's "Employment Generation Project" will be revised for increasing job opportunities. The regulation regulates the relations between participating entities.
6.27	312	Adoption of the Regulation	Transactions between the head office and branches of the Bank of Mongolia should be true, correct and efficient. Accounts should be verified; the first transaction between branches should enter transactions on the same day; there should be balance between assets and liabilities in accounts between branches of the system.
6.3	323	Price Setting	The Bank of Mongolia gold and silver registration prices were newly fixed.
7.21	357	Termination of Receivership	Owing to the successful restructuring of the Agricultural Bank of Mongolia, the report on the implementation of restructuring was adopted. Management and ownership powers were transferred to the new shareholder, the State Property Committee.
7.25	365	Adoption of the Regulation	The regulation addresses safety, preservation, and security of information circulated via the Bank of Mongolia network between banks.
8.7	375	Adoption of the Regulation on issuance of licenses to banks and their entities.	This regulation regulates the registration and issuance of a license by the Bank of Mongolia if equity capital is changed. The Company Law of Mongolia was revised; amendments were made to the Banking Law in 1998 and 1999. In view of these changes, the Regulation provides that a bank as a business entity may be established in the form of a shareholders' company to produce or newly announce shares, to obtain a special license for establishing a bank from the Bank of Mongolia, the document to be compiled for obtaining a license and the requirement, for documentation were revised in order to bring in to conformity with the above said laws.
8.1	382	Amendment to the Regulation	The regulation on Foreign Exchange Exposure was amended to the effect that the loan granted in foreign currency should be reflected at its net value with any loan loss provision denominated in the same currency.

8.11	388	Adoption of the Revised Regulation on Special Regime.	In view of the amendment made in the Banking Law, the following changes were made in the Regulation. The Plenipotentiary Representative while implementing a bank restructuring plan during a special regime period, can undertake measures such as selling bank assets to third parties, increasing the equity to the level of compensating asset shortages, and selling the bank and its units.
9.2	451	Amendment to the Regulation	If a bank does not receive a license to conduct banking operations as provided under articles of the Banking Law and it applies for a license to conduct such operations in the form of supplementary activities, that bank must meet special requirements to be authorized to provide guarantees, to buy and sell precious metals and jewels, and to conduct foreign currency transactions and financial leasing.
9.2	452	Adoption of the Regulation on Bank Guarantees	The regulation was revised that a bank provide the types of guarantees defined in standards and legal documents used in international practice adjusting them to specific features of its operations. While doing this given bank will conclude a guaranteeing contract in accordance with the Law, and total guarantee assets should be within the limits provided for in Article 16 of the Banking Law.
10.6	474	Adoption of the Revised Structure Organization and Powers of the Bank of Mongolia Departments and Divisions	Structure of the Bank of Mongolia was changed to have six departments, nine divisions, six agencies, and one section
10.26	501	Adoption of the Regulation on Policy Board /Board of Directors/	Due to the changes in the structure, organization of the Bank of Mongolia, the membership of the Policy Board /Board of Directors/ was reduced to nine.
12.27	613	Price Setting	The monetary gold registration price was fixed at Togrog 290,000.00 , and monetary silver at Togrog 5,000.00
12.27	614/125	Adoption of the Regulation	The Regulation on Classification of Loans was revised. Formerly, only loans were covered. The new regulation covers classification of and loss provisioning for assets with credit risk. While classifying assets, in addition to indicators showing term and maturity, banks are to consider the indicators such as the liquidity of customers and the business environment.
12.29	623	Adoption of Model Regulation on Internal Bank Auditing	This regulation defines the compulsory requirements to be imposed in internal bank auditing. The regulation provides for elaborating and enforcing an internal regulation consistent with International Standards and requirements for internal auditing and bearing in mind the specific conditions of a given unit.
12.29	627	Adoption of the Regulation on Supervision of a Bank Liquidation	The regulation regulates the supervision of the liquidation of a bank whose license is revoked by the Bank of Mongolia.
12.29	628	Amendments to Accounting Regulations	The amendments cover commercial bank asset classification, loss provisioning, off-balance sheet accounts, and charge-offs .
12.29	629	Adoption of the Regulation on Bank Restructure	The regulation defines the requirements to be imposed by the Bank of Mongolia in restructuring of a bank by the decision adopted at the meeting of shareholders.

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BALANCE SHEET OF THE BANK OF MONGOLIA

(as at 31 December 2000)

in thousands of togrogs

ASSETS	2000
Cash	27.6
Precious metals	7,801.3
Foreign assets	278,604.3
Securities	19,658.8
Unsold central bank bills	20.0
Claims on Government	0.0
Advances to banks	4,777.0
Advances to other business units	903.2
Other assets	54,880.4
TOTAL ASSETS	366,672.6
LIABILITIES & CAPITAL	
Currency in circulation	107,394.4
Central bank bills	21,100.0
Foreign liabilities	124,776.6
Deposits of the government	17,940.0
Deposits of banks with central bank	25,538.0
Deposits of other non-banking business units	1,351.9
Other liabilities	25,756.3
TOTAL LIABILITIES	323,857.2
CAPITAL	42,815.4
TOTAL LIABILITIES & CAPITAL	366,672.6

MONEY SUPPLY

in millions of togogs

End-of-period	Currency issued in circulation		Of which			Money (M1)		Of which
	amount	Monthly changes %	Bank's cash	Currency outside banks		amount	monthly changes %	Non-banks demand deposits (BoM)
				amount	monthly changes %			
1990 12	742.7		5.7	737.0		4,749.9		3,915.9
1991 12	2,003.0		308.7	1,694.3		7,313.7		27.3
1992 12	2,896.4		1,057.2	1,839.2		7,640.2		11.2
1993 12	10,786.1	13.2	2,035.5	8,750.6	12.0	18,548.4	-8.8	40.6
1994 12	21,804.8	3.1	3,037.6	18,767.2	5.7	32,871.2	-0.4	
1995 12	29,755.7	0.8	4,164.5	25,591.2	2.6	42,636.5	-0.4	
1996 03	27,971.0	-8.0	4,621.9	23,349.1	-10.4	43,785.5	-9.6	
06	35,139.7	10.5	4,605.7	30,534.0	7.8	49,765.6	4.1	
09	39,518.5	4.4	5,720.1	33,798.4	0.1	58,269.3	3.3	
12	46,095.8	11.8	4,391.4	41,704.4	14.4	64,301.6	14.7	
1997 03	41,081.9	-6.1	8,172.4	32,909.5	-7.3	52,746.1	-7.3	
06	52,775.2	8.1	7,430.6	45,344.6	4.9	67,643.8	4.9	
09	58,193.8	0.3	7,946.4	50,247.4	-1.6	75,696.5	2.2	
12	56,816.5	3.1	7,048.2	49,768.3	4.1	76,108.9	4.0	
1998 01	49,693.4	-12.5	5,747.2	43,946.2	-11.7	70,607.3	-7.2	
02	51,139.5	2.9	5,371.3	45,768.2	4.1	70,434.8	-0.2	
03	47,551.7	-7.0	6,050.8	41,500.9	-9.3	63,773.2	-9.5	
04	54,741.9	15.1	5,614.6	49,127.3	18.4	70,923.6	11.2	
05	60,076.3	9.7	4,669.7	55,406.6	12.8	79,683.5	12.4	
06	61,565.7	2.5	6,170.9	55,394.8	0.0	78,699.1	-1.2	
07	63,621.7	3.3	4,928.5	58,693.2	6.0	84,163.8	6.9	
08	61,704.7	-3.0	6,459.7	55,245.0	-5.9	80,065.8	-4.9	
09	59,996.1	-2.8	5,997.4	53,998.7	-2.3	79,175.0	-1.1	
10	58,020.1	-3.3	5,966.1	52,054.0	-3.6	76,766.6	-3.0	
11	58,407.5	0.7	6,736.9	51,670.6	-0.7	75,481.5	-1.7	
12	61,754.2	5.7	5,308.4	56,445.8	9.2	82,582.0	9.4	
1999 01	54,838.0	-11.2	4,816.2	50,021.9	-11.4	70,450.7	-14.7	
02	56,731.1	3.5	3,923.1	52,808.0	5.6	71,507.3	1.5	
03	52,625.8	-7.2	4,558.4	48,067.4	-9.0	66,289.8	-7.3	
04	65,379.1	24.2	3,217.1	62,162.1	29.3	78,332.4	18.2	
05	71,789.9	9.8	3,493.4	68,296.6	9.9	87,639.9	11.9	
06	78,453.6	9.3	4,645.8	73,807.8	8.1	92,599.9	5.7	
07	87,682.1	11.8	4,095.6	83,586.5	13.2	105,128.1	13.5	
08	84,759.9	-3.3	4,797.7	79,962.2	-4.3	101,932.6	-3.0	
09	82,990.7	-2.1	6,630.0	76,360.7	-4.5	100,454.2	-1.5	
10	77,299.7	-6.9	4,770.0	72,529.7	-5.0	96,522.2	-3.9	
11	80,449.6	4.1	4,716.7	75,732.9	4.4	99,974.7	3.6	
12	91,567.5	13.8	4,286.2	87,281.3	15.2	114,825.7	14.9	
2000 01	86,345.8	-5.7	8,883.8	77,462.0	-11.3	102,558.6	-10.7	
02	78,615.7	-9.0	5,756.3	72,859.3	-5.9	94,954.8	-7.4	
03	102,316.4	30.1	7,282.1	95,034.2	30.4	116,237.0	22.4	
04	120,253.9	17.5	6,275.0	113,978.8	19.9	135,686.1	16.7	
05	128,197.2	6.6	10,717.6	117,479.7	3.1	139,958.3	3.1	
06	125,507.4	-2.1	6,618.0	118,889.4	1.2	143,684.2	2.7	
07	122,881.7	-2.1	8,508.6	114,373.0	-3.8	138,547.4	-3.6	
08	122,181.8	-0.6	7,202.5	114,979.3	0.5	140,028.7	1.1	
09	120,879.8	-1.1	6,405.4	114,474.4	-0.4	143,562.4	2.5	
10	112,465.2	-7.0	6,346.3	106,119.0	-7.3	133,372.9	-7.1	
11	99,616.7	-11.4	5,565.1	94,051.6	-11.4	120,093.2	-10.0	
12	107,394.4	7.8	6,461.0	100,933.4	7.3	130,775.0	8.9	

continued

End-of-period	Quasi money			Of which				Money (M2)	
	Demand deposits (Banks)	amount	monthly changes %	Time saving deposits	Of		Foreign currency deposits	amount	monthly changes %
					Individuals	Enterprises			
1990 12	97.0	883.2		726.3	726.3	-	157.0	5,633.1	
1991 12	5,592.1	2,601.1		1,996.9	1,553.3	443.6	604.2	9,914.8	
1992 12	5,789.8	5,412.1		4,430.2	2,985.7	1,444.5	981.9	13,052.3	
1993 12	9,757.2	24,215.8	10.6	10,103.1	7,969.6	2,133.5	14,112.7	42,764.2	1.2
1994 12	14,104.0	43,905.8	-2.6	28,937.5	25,287.3	3,650.2	14,968.3	76,777.0	-1.7
1995 12	17,045.3	59,408.1	-4.7	38,529.1	36,602.7	1,926.4	20,879.0	102,044.6	-2.9
1996 03	20,436.4	58,237.1	-5.3	39,368.3	37,683.6	1,684.7	18,868.8	102,022.6	-7.2
06	19,231.6	56,979.9	2.4	38,496.6	36,992.7	1,503.9	18,483.3	106,745.5	3.2
09	24,470.9	56,971.5	-6.6	36,151.2	34,825.9	1,325.3	20,820.3	115,240.8	-1.9
12	22,597.2	64,093.7	-4.0	35,164.2	33,819.1	1,345.1	28,929.5	128,395.3	4.5
1997 03	19,836.6	61,762.1	6.4	32,802.4	31,763.6	1,038.8	28,959.7	114,508.2	-0.4
06	22,299.2	70,214.3	2.4	34,093.2	32,759.8	1,333.4	36,121.1	137,858.1	3.6
09	25,449.1	75,872.3	-0.9	39,569.8	37,864.4	1,705.4	36,302.5	151,568.8	0.7
12	26,340.6	93,956.6	13.0	44,673.8	42,892.7	1,781.1	49,282.8	170,065.5	8.8
1998 01	26,661.1	86,724.9	-7.7	45,400.3	43,407.3	1,993.0	41,324.6	157,332.2	-7.5
02	24,666.6	91,522.3	5.5	49,804.2	43,951.4	5,852.8	41,718.1	161,957.1	2.9
03	22,272.3	89,854.6	-1.8	49,870.4	43,718.6	6,151.8	39,984.2	153,627.8	-5.1
04	21,796.3	85,216.6	-5.2	46,242.2	43,234.5	3,007.7	38,974.4	156,140.2	1.6
05	24,276.9	86,814.1	1.9	46,426.4	43,056.2	3,370.2	40,387.7	166,497.6	6.6
06	23,304.3	81,527.3	-6.1	43,492.4	40,643.1	2,849.3	38,034.9	160,226.4	-3.8
07	25,470.6	84,364.7	3.5	42,639.2	39,912.8	2,726.4	41,725.5	168,528.5	5.2
08	24,820.8	85,153.0	0.9	42,003.4	39,439.1	2,564.3	43,149.6	165,218.8	-2.0
09	25,176.3	86,818.2	2.0	42,212.1	39,674.0	2,538.1	44,606.1	165,993.2	0.5
10	24,712.6	85,837.8	-1.1	43,306.7	40,591.2	2,715.5	42,531.1	162,604.4	-2.0
11	23,810.9	85,081.1	-0.9	44,102.5	41,382.3	2,720.2	40,978.6	160,562.6	-1.3
12	26,136.2	84,667.6	-0.5	44,840.1	42,044.5	2,795.6	39,827.5	167,249.6	4.2
1999 01	20,428.8	84,756.7	0.1	44,702.7	41,889.6	2,813.1	40,054.0	155,207.4	-7.2
02	18,699.4	90,409.3	6.7	44,622.9	42,317.8	2,305.1	45,786.4	161,916.6	4.3
03	18,222.4	87,392.9	-3.3	42,874.2	40,646.1	2,228.1	44,518.7	153,682.7	-5.1
04	16,170.3	87,222.7	-0.2	41,685.6	39,419.0	2,266.6	45,537.1	165,555.1	7.7
05	19,343.3	87,941.2	0.8	41,202.9	39,115.9	2,087.0	46,738.3	175,581.1	6.1
06	18,792.1	92,035.4	4.7	41,158.2	38,447.7	2,710.5	50,877.2	184,635.3	5.2
07	21,541.6	91,044.4	-1.1	42,330.4	39,410.6	2,919.8	48,714.0	196,172.5	6.2
08	21,970.4	94,925.4	4.3	41,909.5	40,486.1	1,423.4	53,015.9	196,858.0	0.3
09	24,093.5	98,485.8	3.8	44,071.8	41,877.7	2,194.1	54,414.0	198,940.0	1.1
10	23,992.5	106,494.0	8.1	44,754.0	41,743.6	3,010.4	61,740.0	203,016.2	2.0
11	24,241.8	107,072.2	0.5	43,190.2	41,675.5	1,514.7	63,882.0	207,046.9	2.0
12	27,544.4	105,341.3	-1.6	45,052.3	43,257.9	1,794.4	60,289.1	220,167.0	6.3
2000 01	25,096.6	108,771.2	3.3	46,519.6	44,361.8	2,157.8	62,251.5	211,329.8	-4.0
02	22,095.5	112,587.0	3.5	47,028.5	45,308.6	1,719.9	65,558.6	207,541.8	-1.8
03	21,202.8	106,197.0	-5.7	47,447.8	46,009.3	1,438.5	58,749.3	222,434.0	7.2
04	21,707.3	98,901.1	-6.9	46,338.0	45,415.9	922.1	52,563.1	234,587.3	5.5
05	22,478.6	103,030.7	4.2	48,032.6	46,044.8	1,987.8	54,998.2	242,989.0	3.6
06	24,794.8	111,573.9	8.3	49,036.2	46,967.5	2,068.8	62,537.7	255,258.1	5.0
07	24,174.3	113,293.9	1.5	51,062.0	48,989.2	2,072.8	62,231.9	251,841.3	-1.3
08	25,049.4	116,835.5	3.1	51,775.2	49,557.2	2,218.0	65,060.3	256,864.2	2.0
09	29,088.0	120,927.8	3.5	54,046.5	51,485.1	2,561.4	66,881.3	264,490.2	3.0
10	27,254.0	124,156.1	2.7	57,673.5	53,820.4	3,853.1	66,482.6	257,529.0	-2.6
11	26,041.6	125,454.6	1.0	58,232.5	53,409.9	4,822.7	67,222.1	245,547.9	-4.7
12	29,841.6	128,067.7	2.1	59,004.3	54,125.9	4,878.4	69,063.4	258,842.6	5.4

CONSUMER PRICE INDEX

in percent

End-of-period	Food stuffs	Of which				
		Meat	Milk, dairy products	Flour, bakery	Other	Soda, cigarettes
1991 01 16	100.0	100.0	100.0	100.0	100.0	100.0
1991 12	134.4	136.4	156.3	124.0	131.4	126.9
1992 12	755.4	468.3	884.2	978.4	828.9	800.1
1993 12	2,247.0	1,744.3	2,153.2	2,906.7	2,736.5	1,424.5
1994 12	3,565.3	2,723.1	3,658.8	4,147.5	4,681.4	1,855.4
				<i>1995.12=100</i>		
1995 12	58.7	18.4	5.1	17.2	4.9	4.5
1996 12	78.2	19.5	7.1	27.0	7.5	6.3
1997 03	85.3	22.6	8.6	28.2	7.5	6.7
06	107.0	39.3	8.1	28.8	8.0	6.5
09	86.5	25.4	8.0	28.1	8.6	6.9
12	87.0	21.2	9.6	28.1	8.7	7.8
1998 01	89.4	23.3	9.6	27.6	8.8	7.8
02	89.7	23.3	9.8	27.3	8.7	7.6
03	97.5	31.5	10.1	27.0	8.6	7.5
04	105.2	38.7	9.9	26.9	8.7	7.5
05	106.9	39.4	9.6	26.9	8.8	7.6
06	101.6	36.1	8.1	26.8	8.8	7.6
07	99.2	33.1	7.4	26.6	8.8	7.6
08	92.2	29.1	7.4	26.6	8.9	7.5
09	83.9	23.2	7.6	27.1	8.9	7.6
10	84.3	21.7	8.7	27.7	10.0	7.6
11	85.5	21.3	9.3	27.7	10.0	7.7
12	87.7	22.0	10.0	27.6	10.1	7.7
1999 01	87.4	21.1	10.0	27.4	10.0	8.1
02	92.8	25.8	10.0	27.1	9.9	8.1
03	95.6	27.3	10.2	27.0	10.3	8.3
04	102.8	33.2	10.8	26.8	10.3	8.3
05	107.3	37.6	10.5	27.0	10.3	8.3
06	107.2	39.3	8.5	27.0	10.3	8.3
07	103.9	35.3	7.6	27.0	10.3	8.3
08	97.4	29.3	8.0	28.2	10.3	8.4
09	91.3	25.2	8.6	28.0	10.5	8.4
10	89.6	23.1	9.3	27.9	10.5	8.4
11	92.3	22.6	9.7	28.7	10.6	8.5
12	95.5	25.0	10.0	28.8	10.6	8.5
2000 01	102.0	29.8	10.5	29.1	10.6	8.5
02	108.5	34.1	11.0	29.2	10.9	8.6
03	110.4	35.5	11.1	29.3	10.8	9.0
04	134.8	48.3	11.1	29.3	10.6	9.0
05	143.5	55.4	9.6	29.3	10.7	9.1
06	143.7	55.4	8.3	29.3	10.7	9.1
07	132.6	45.1	8.1	29.4	10.7	9.1
08	115.2	33.0	7.8	29.4	10.7	9.3
09	111.4	30.9	8.6	29.4	10.4	9.3
10	107.1	26.9	9.7	29.4	10.5	9.3
11	108.5	27.8	9.9	29.6	10.6	9.4
12	109.6	27.7	10.4	29.6	10.5	9.4

continued

End-of-period	Clothes, shoes	Of which						Rent & Price of energy
		Fabric	Men's clothes	Women's clothes	Wear	Children's wear	Shoes	
1991 01 16	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1991 12	192.4	148.4	174.5	229.3	173.5	100.0	236.1	115.5
1992 12	679.1	676.3	347.3	541.2	397.1	440.9	965.4	245.8
1993 12	1,304.3	1,161.6	650.4	896.4	743.6	1,404.4	1,782.9	1,068.3
1994 12	2,363.1	1,957.5	1,259.4	2,110.3	972.1	2,126.9	3,377.3	1,595.7
<i>1995.12=100</i>								
1995 12	10.3	0.4	1.5	3.4		1.0	4.0	10.4
1996 12	15.4	0.6	2.3	4.5		1.8	6.2	17.9
1997 03	15.7	0.6	2.3	4.5		1.9	6.3	18.6
06	17.0	0.7	2.5	4.9		2.0	6.9	23.7
09	17.2	0.7	2.6	5.2		2.0	6.7	24.4
12	20.6	0.7	2.9	6.5		2.3	8.2	27.0
1998 01	20.6	0.7	2.9	6.5		2.3	8.2	26.9
02	20.4	0.7	2.9	6.2		2.4	8.3	26.9
03	20.3	0.7	2.8	6.2		2.3	8.2	26.9
04	20.3	0.7	2.8	6.2		2.3	8.3	26.6
05	20.3	0.7	2.8	6.2		2.3	8.3	26.6
06	20.2	0.6	2.8	6.2		2.2	8.3	26.5
07	20.2	0.7	2.8	6.2		2.2	8.3	26.5
08	20.7	0.6	3.1	6.2		2.2	8.3	26.6
09	21.5	0.6	3.1	6.3		2.4	8.8	27.3
10	22.0	0.6	3.1	6.7		2.4	8.9	28.1
11	22.4	0.6	3.1	6.7		2.4	9.2	28.4
12	22.8	0.6	3.2	6.9		2.4	9.4	29.5
1999 01	22.8	0.6	3.2	6.8		2.4	9.4	29.3
02	22.8	0.6	3.2	6.8		2.4	9.4	30.6
03	22.6	0.6	3.0	6.7		2.3	9.5	31.7
04	22.6	0.6	3.0	6.7		2.3	9.6	31.8
05	22.8	0.6	3.0	6.7		2.3	9.7	31.6
06	22.8	0.6	3.0	6.7		2.3	9.7	31.6
07	22.8	0.6	3.0	6.7		2.3	9.8	31.6
08	22.9	0.6	3.0	6.8		2.4	9.8	31.6
09	23.0	0.6	3.0	6.8		2.4	9.8	32.1
10	23.4	0.6	3.0	6.9		2.4	10.0	32.2
11	23.7	0.6	3.1	7.1		2.4	10.0	32.2
12	23.9	0.6	3.1	7.1		2.4	10.2	32.1
2000 01	23.4	0.6	3.1	7.0		2.4	9.9	32.7
02	23.2	0.6	3.1	6.8		2.4	9.9	31.5
03	23.1	0.6	3.1	6.8		2.4	9.8	31.6
04	23.1	0.6	3.0	6.8		2.4	9.8	31.6
05	23.1	0.6	3.1	6.8		2.5	9.8	31.6
06	23.1	0.6	3.1	6.8		2.4	9.8	31.5
07	23.1	0.6	3.1	6.8		2.4	9.8	34.2
08	23.2	0.6	3.1	6.8		2.5	9.8	34.4
09	23.2	0.6	3.1	6.8		2.4	9.8	34.6
10	23.5	0.6	3.1	7.0		2.4	9.9	38.4
11	23.8	0.6	3.1	6.9		2.5	10.2	38.9
12	23.9	0.6	3.2	7.0		2.5	10.2	42.3

continued

End-of-period	Housing good	Medicine	Transport & communication costs	Articles for cultural needs	Other goods & service	General CPI	Monthly changes %	Changes from the beginning of year	Annual changes
1991 01 16	100.0	100.0	100.0	100.0	100.0	100.0			
1991 12	209.6	100.0	137.3	277.3	152.3	152.7	5.1	52.7	
1992 12	795.8	196.7	535.3	581.0	430.2	649.8	11.0	325.5	
1993 12	2,087.2	1,933.9	1,673.3	2,154.8	1,483.8	1,838.7	2.5	183.0	
1994 12	3,247.2	1,933.9	3,221.1	4,427.9	2,904.7	3,057.8	2.1	66.3	
	<i>1995.12=100</i>								
1995 12	3.9	2.1	7.6	3.6	3.5	100.0	2.1	53.1	
1996 12	5.4	3.0	13.6	5.7	5.3	144.6	3.2	44.6	
1997 03	6.1	3.8	14.4	6.5	5.9	156.5	2.6	8.2	40.6
06	6.1	3.8	15.2	6.6	6.3	185.6	5.0	28.4	55.5
09	6.2	3.8	15.0	8.0	6.3	167.4	-1.4	15.8	24.1
12	6.6	3.8	15.0	8.2	6.4	174.2	0.9	20.5	20.5
1998 01	6.6	3.9	16.0	8.3	6.5	177.9	2.1	2.1	20.9
02	6.6	3.9	16.7	8.3	6.5	178.8	0.5	2.6	17.2
03	6.5	3.9	16.6	8.2	6.7	186.4	4.3	7.0	19.1
04	6.4	3.9	16.6	8.3	6.7	193.8	4.0	11.3	15.6
05	6.4	3.9	16.6	8.3	6.7	195.5	0.9	12.2	10.6
06	6.3	3.9	16.6	8.5	7.0	190.3	-2.7	9.2	2.5
07	6.1	3.9	16.6	8.5	7.1	187.9	-1.3	7.9	2.8
08	6.1	3.9	16.6	9.6	7.2	182.5	-2.9	4.8	7.5
09	6.1	3.9	17.7	9.7	7.4	177.0	-3.0	1.6	5.7
10	6.1	3.9	17.8	9.7	7.4	179.0	1.1	2.8	5.2
11	6.1	3.9	17.8	9.7	7.4	180.9	1.1	3.8	4.7
12	6.1	3.9	17.8	9.8	7.4	184.7	2.1	6.0	6.0
1999 01	6.2	3.9	18.3	9.8	7.5	184.8	0.1	0.1	3.9
02	6.2	3.9	18.3	9.8	7.5	191.5	3.6	3.7	7.1
03	6.2	3.9	19.2	9.8	7.5	194.6	1.6	5.4	4.4
04	6.1	3.9	19.2	9.8	7.6	201.9	3.8	9.3	4.2
05	6.1	3.9	19.2	9.9	7.6	206.5	2.2	11.8	5.6
06	6.1	3.9	19.2	10.1	7.6	206.6	0.1	11.9	8.6
07	6.1	4.6	19.2	10.2	7.6	204.2	-1.2	10.6	8.7
08	6.3	4.6	20.3	11.0	7.9	200.1	-2.0	8.3	9.6
09	6.3	4.6	19.9	11.3	7.9	194.4	-2.9	5.3	9.8
10	6.3	4.6	21.6	11.3	7.9	194.9	0.3	5.5	8.9
11	6.5	4.6	23.3	11.3	7.9	199.8	2.5	8.2	10.4
12	6.5	4.6	23.3	11.3	7.9	203.2	1.7	10.0	10.0
2000 01	6.5	4.6	23.3	11.3	8.3	210.1	3.4	3.4	13.7
02	6.5	4.6	23.1	11.3	8.3	215.1	2.4	5.9	12.3
03	6.5	4.6	23.1	11.5	8.3	217.1	0.9	6.9	11.6
04	6.5	4.6	23.1	11.5	8.3	230.5	6.1	13.5	14.1
05	6.5	4.6	23.0	11.5	8.2	238.4	3.4	17.4	15.5
06	6.5	4.6	23.0	11.5	8.2	238.4	0.0	17.4	15.4
07	6.3	4.6	24.0	11.5	8.2	231.7	-2.8	14.1	13.5
08	6.4	4.6	24.1	11.6	8.2	216.1	-6.7	6.4	8.0
09	6.5	4.6	24.1	11.6	8.3	213.0	-1.4	4.9	9.6
10	6.5	4.6	24.1	11.8	8.3	213.1	0.1	4.9	9.3
11	6.5	4.6	24.1	11.8	8.2	215.0	0.9	5.9	7.6
12	6.6	4.6	24.1	11.8	8.2	219.6	2.1	8.1	8.1

MONETARY SURVEY

in millions of togros

End-of-period	Net foreign assets	Domestic credit (net)	Of which						Total assets
			Central Government	Public enterprises	Private sector	Principal in arrears	Substandard doubtful, loss loans	Share & promissory note	
1991 12	495.4	10,971.2	-1,883.7	9,779.6	3,075.3		0.0	0.0	11,466.6
1992 12	-27.0	16,078.2	-3,051.7	12,204.2	6,925.7		0.0	0.0	16,051.2
1993 12	23,395.7	24,460.3	-7,143.4	21,744.4	9,859.3		0.0	0.0	47,856.0
1994 12	29,699.3	49,190.3	-3,773.1	12,193.3	40,638.0		0.0	124.3	78,889.6
1995 12	51,709.7	45,494.7	-17,227.8	10,883.3	51,653.5		0.0	124.3	97,204.4
1996 12	73,733.6	90,240.4	19,920.3	14,520.3	22,851.9	8,057.8	24,890.1	0.0	163,974.0
1997 03	88,363.9	82,520.5	25,676.4	13,860.0	27,124.9	4,925.9	10,933.3	0.0	170,884.4
06	84,567.8	81,003.9	25,610.5	12,553.9	26,512.6	6,766.7	9,560.2	0.0	165,571.7
09	108,917.7	81,985.2	26,636.0	10,474.2	28,379.7	6,655.7	9,839.6	0.0	190,902.9
12	135,437.2	67,635.4	13,352.1	11,713.0	28,112.6	4,553.9	9,903.8	0.0	203,072.6
1998 01	121,646.9	88,844.1	14,969.7	13,453.5	43,857.9	6,165.7	10,397.3	0.0	210,491.0
02	110,373.1	99,915.2	23,331.7	12,626.8	46,914.1	6,409.6	10,633.0	0.0	210,288.3
03	100,154.8	103,568.4	22,688.3	15,556.6	47,325.0	6,928.1	11,070.4	0.0	203,723.2
04	94,100.8	114,181.5	27,835.6	17,480.4	51,149.7	6,483.3	11,232.5	0.0	208,282.3
05	88,765.8	123,167.3	29,819.9	17,457.2	53,145.7	6,918.5	15,826.0	0.0	211,933.1
06	87,552.0	117,653.2	26,921.2	17,183.4	50,749.4	6,921.8	15,877.4	0.0	205,205.2
07	89,813.9	127,294.1	34,439.0	17,855.8	49,771.3	8,670.2	16,557.8	0.0	217,108.0
08	83,784.5	134,536.4	38,880.5	20,481.3	49,549.8	8,406.1	17,218.7	0.0	218,320.9
09	95,872.2	127,632.8	34,556.6	20,969.0	47,328.1	7,009.9	17,769.2	0.0	223,505.0
10	98,389.4	126,379.7	34,668.0	18,954.3	47,741.9	7,366.3	17,649.2	0.0	224,769.1
11	90,924.4	128,265.3	36,158.1	18,675.9	47,908.9	7,534.9	17,987.5	0.0	219,189.7
12	96,557.5	136,062.0	41,460.0	18,295.6	43,667.5	6,051.9	26,587.0	0.0	232,619.5
1999 01	87,356.5	144,119.5	46,231.9	19,341.6	45,076.5	6,797.5	26,672.0	0.0	231,476.0
02	88,144.2	147,658.7	47,093.6	17,759.6	47,425.1	8,480.2	26,900.2	0.0	235,802.9
03	84,863.9	153,825.7	52,741.7	17,993.5	47,555.6	7,368.0	28,166.9	0.0	238,689.6
04	88,263.2	153,979.4	51,924.3	16,042.7	48,768.6	8,569.4	28,674.4	0.0	242,242.6
05	99,066.1	151,692.6	52,460.2	14,329.3	44,734.7	7,666.2	32,502.2	0.0	250,758.7
06	105,517.8	156,297.8	55,376.2	14,618.1	46,957.1	5,171.1	34,175.3	0.0	261,815.6
07	112,827.2	158,927.0	54,850.7	15,620.1	49,043.2	4,825.5	34,587.5	0.0	271,754.2
08	140,232.5	137,418.7	34,590.8	16,431.4	46,409.8	5,619.8	34,366.9	0.0	277,651.2
09	137,205.2	133,784.1	31,403.1	16,011.8	40,736.0	3,575.8	42,057.4	0.0	270,989.3
10	153,700.3	127,859.4	29,057.6	13,793.7	40,590.2	4,989.8	39,428.2	0.0	281,559.7
11	155,870.8	131,456.2	33,875.1	13,299.0	41,399.9	4,106.5	38,775.7	0.0	287,327.0
12	167,541.5	116,635.6	34,555.7	8,564.5	31,408.6	2,925.7	39,181.0	0.0	284,177.1
2000 01	161,135.7	124,749.6	39,224.8	9,653.2	33,919.0	3,078.7	38,873.9	0.0	285,885.3
02	159,701.5	100,441.6	41,022.8	11,040.9	31,069.3	1,106.8	16,201.8	0.0	260,143.1
03	189,044.2	86,994.9	29,548.9	9,335.4	31,494.6	1,015.6	15,600.4	0.0	276,039.0
04	188,386.4	86,742.4	31,373.8	5,369.6	33,971.2	900.9	15,126.9	0.0	275,128.9
05	180,074.6	93,903.2	34,867.1	7,242.0	36,082.2	934.8	14,777.0	0.0	273,977.7
06	196,630.4	94,375.8	36,392.3	6,899.0	34,717.5	1,779.2	14,587.8	0.0	291,006.1
07	183,110.8	100,119.7	40,893.5	7,109.4	34,905.4	2,012.5	15,198.8	0.0	283,230.4
08	206,754.0	100,978.0	38,260.9	7,509.4	37,940.9	2,398.8	14,868.0	0.0	307,732.0
09	220,197.4	95,204.7	34,516.0	6,830.3	36,501.3	2,588.1	14,769.1	0.0	315,402.1
10	211,388.4	92,934.3	34,561.8	5,707.5	36,311.6	1,917.1	14,436.3	0.0	304,322.7
11	218,647.6	95,864.8	32,310.4	4,841.5	42,465.1	1,926.1	14,321.6	0.0	314,512.4
12	205,971.8	84,831.1	17,171.2	6,281.5	45,482.9	1,281.8	14,613.8	0.0	290,802.9

continued

End-of-period	Money	Quasi money	Long-term foreign liabilities	Other items (net)	Total liabilities
1991 12	7,313.7	2,601.2	1,981.7	-430.0	11,466.6
1992 12	7,640.2	5,412.1	3,809.5	-810.6	16,051.2
1993 12	18,548.4	24,215.8	9,094.4	-4,002.6	47,856.0
1994 12	32,871.2	43,905.8	7,452.1	-5,339.5	78,889.6
1995 12	42,636.5	59,408.2	14,176.2	-19,016.5	97,204.4
1996 12	64,301.6	64,093.7	11,121.4	24,457.3	163,974.0
1997 03	52,746.1	61,762.1	13,310.2	43,066.0	170,884.4
06	67,643.8	70,214.3	11,201.5	16,512.1	165,571.7
09	75,696.5	75,872.3	11,289.5	28,044.6	190,902.9
12	76,108.9	93,956.6	3,659.2	29,347.9	203,072.6
1998 01	70,607.3	86,724.9	12,652.5	40,506.3	210,491.0
02	70,434.8	91,522.3	12,359.0	35,972.2	210,288.3
03	63,773.2	89,854.6	13,703.7	36,391.7	203,723.2
04	70,923.6	85,216.6	12,666.6	39,475.5	208,282.3
05	79,683.5	86,814.1	12,836.3	32,599.2	211,933.1
06	78,699.1	81,527.3	12,414.7	32,564.1	205,205.2
07	84,163.8	84,364.7	12,529.8	36,049.7	217,108.0
08	80,065.8	85,153.0	12,604.4	40,497.7	218,320.9
09	79,175.0	86,818.2	12,963.0	44,548.8	223,505.0
10	76,766.6	85,837.8	13,184.6	48,980.1	224,769.1
11	75,481.5	85,081.1	13,142.4	45,484.7	219,189.7
12	82,582.0	84,667.6	12,800.4	52,569.5	232,619.5
1999 01	70,450.7	84,756.7	13,291.2	62,977.5	231,476.0
02	71,507.4	90,409.2	13,407.8	60,478.5	235,802.9
03	66,289.8	87,392.9	13,418.4	71,588.4	238,689.6
04	78,332.4	87,222.7	13,025.6	63,662.0	242,242.6
05	87,639.9	87,941.2	14,468.3	60,709.4	250,758.7
06	92,599.9	92,035.4	14,017.3	63,163.0	261,815.6
07	105,128.1	91,044.4	14,140.8	61,440.9	271,754.2
08	101,932.6	94,925.4	14,349.0	66,444.2	277,651.2
09	100,454.2	98,485.8	14,062.3	57,987.0	270,989.3
10	96,522.2	106,494.0	14,187.1	64,356.4	281,559.7
11	99,974.7	107,072.2	13,603.6	66,676.5	287,327.0
12	114,825.7	105,341.3	5,682.5	58,327.5	284,177.1
2000 01	102,558.6	108,771.2	5,737.4	68,818.2	285,885.3
02	94,954.8	112,587.0	5,458.6	47,142.7	260,143.1
03	116,237.0	106,197.0	3,242.5	50,362.5	276,039.0
04	135,686.1	98,901.1	2,951.6	37,590.0	275,128.9
05	139,958.3	103,030.7	2,950.3	28,038.4	273,977.7
06	143,684.2	111,573.9	3,599.2	32,148.9	291,006.1
07	138,547.4	113,293.9	3,639.4	27,749.7	283,230.4
08	140,028.7	116,835.5	3,800.5	47,067.3	307,732.0
09	143,562.4	120,927.8	3,764.3	47,147.6	315,402.1
10	133,372.9	124,156.1	3,940.2	42,853.5	304,322.7
11	120,093.2	125,454.6	3,976.2	64,988.3	314,512.4
12	130,775.0	128,067.7	4,173.2	27,787.0	290,802.9

DEPOSIT INTEREST RATE

in percent

End-of-period	Deposit rates							
	Current account		Current deposit accounts	Time deposit accounts				Foreign currency 1-3 years
	Domestic currency	Foreign currency		Domestic currency				
				1 year	1-3 years	3-5 years	More than 5	
1993 12	2.0		24-100	70-153	125-151.8			10-72
1994 12	2.0		10-63.8	50-101.2				6-72
1995 12	2.0		12.0-42.6	12.5-101.2				6.0-42.6
1996 12	2.0		12.0-34.5	12.7-60.1	26.8			3.6-42.6
1997 01	2.0		12.0-36.0	6.2-69.6	41.4			3.6-26.8
02	2.0		12.0-36.0	6.2-69.6	41.4			3.6-34.5
03	2.0		12.0-34.5	12.0-51.1	39.3			3.6-42.6
04	2.0		12.0-36.0	6.2-51.1	41.4			3.7-42.6
05	2.0		12.0-26.8	12.7-51.1	36.0			3.7-42.6
06	2.0		12.0-36.0	12.7-69.6	36.0-46.8			3.7-42.6
09	2.0		6.2-26.8	6.2-69.6	36.0-42.6			3.7-42.6
10	2.0		6.0-34.5	6.2-69.6	24.0-42.6			2.4-42.6
11	2.0		3.6-34.5	6.2-69.6	36.0-42.6			2.4-42.6
12	2.0		3.6-34.5	6.2-69.6	36.0-42.6			2.4-42.6
1998 01	2.0		3.6-30.0	6.2-69.6	36.0-42.6			2.4-42.6
02	0.8-9.0	1.0-1.2	3.6-30.0	12.0-51.1	24.0			2.4-26.8
03	0.8-9.0	1.0-3.7	3.6-26.8	12.0-42.6	24.0			1.2-26.8
04	0.8-9.0	1.0-3.7	3.6-19.6	12.0-42.6	24.0			2.4-26.8
05	0.8-9.0	1.0-3.7	3.6-19.6	12.0-42.6	24.0			1.2-26.8
06	3.0-9.0	1.0-3.7	3.6-19.6	12.0-42.6	18.0-24.0			1.2-26.8
07	3.0-9.0	1.0-3.6	3.6-19.6	12.0-42.6	18.0-24.0			1.2-24.0
08	0.8-6.0	1.0-3.6	3.6-19.6	18.0-42.6	18.0-30.0			1.2-24.0
09	0.8-6.0	1.0-3.6	3.6-19.6	6.0-39.3	12.0-30.0			1.2-24.0
10	0.8-6.0	1.0-3.6	3.6-19.6	6.0-39.3	24.0-30.0			1.2-24.0
11	0.8-6.0	1.0-3.6	3.6-19.6	6.0-42.58	24.0-30.0			1.2-24.0
12	0.8-6.0	1.0-3.6	3.6-19.6	6.0-42.58	24.0-30.0			1.2-24.0
1999 01	0.8-6.0	1.0-3.6	3.6-19.6	6.0-42.58	24.0-30.0			1.2-24.0
02	0.8-6.0	1.0-3.6	3.6-19.6	6.0-42.58	24.0-30.0			1.2-24.0
03	0.8-6.0	1.0-3.6	3.6-19.6	6.0-42.58	24.0-30.0			1.2-24.0
04	0.8-6.0	1.0-3.6	3.6-19.6	6.0-42.58	24.0-30.0			1.2-24.0
05	0.8-6.0	1.0-3.6	3.6-19.6	6.0-42.58	24.0-30.0			1.2-24.0
06	0.8-6.0	1.0-3.6	3.6-19.6	6.0-42.58	24.0-30.0			1.2-24.0
07	0.8-6.0	1.0-3.6	3.6-19.6	9.6-42.58	24.0-30.0			1.2-24.0
08	3.0-6.0	1.0-3.6	3.6-19.6	9.6-42.58	24.0-30.0			1.2-24.0
09	3.0-6.0	1.0-3.6	3.6-19.6	4.8-42.58	24.0-30.0			1.8-24.0
10	3.0-6.0	1.0-3.6	3.0-18.0	9.6-30.0				3.6-14.4
11	3.0-6.0	1.0-3.6	3.0-14.4	9.6-30.0				3.6-14.4
12	3.0-6.0	1.0-3.6	3.0-13.2	9.6-30.0				3.6-14.4
2000 01	3.0-6.0	1.0-3.6	3.6-13.2	9.6-30.0				3.6-14.4
02	3.0-6.0	1.0-3.6	3.6-13.2	9.6-30.0				3.6-14.4
03	3.0-6.0	1.0-3.6	3.6-13.2	9.6-30.0				3.6-14.4
04	3.0-6.0	1.0-3.6	1.2-13.2	3.6-30.0				2.4-14.4
05	3.0-6.0	1.0-3.6	1.2-13.2	3.6-30.0				2.4-14.4
06	3.0-6.0	1.0-3.6	1.2-13.2	3.6-30.0				2.4-14.4
07	3.0-6.0	1.0-3.6	1.2-13.2	3.6-30.0				2.4-14.4
08	3.0-6.0	1.0-3.6	1.2-13.2	3.6-30.0				1.2-14.4
09	3.0-6.0	1.0-3.6	1.2-13.2	3.6-30.0				1.2-12.0
10	3.0-6.0	1.0-3.6	1.2-13.2	3.6-24.0				1.2-12.0
11	2.4-6.0	1.0-3.6	1.2-13.2	3.6-24.0				1.2-12.0
12	2.4-6.0	1.0-3.6	1.2-13.2	3.6-24.0				1.2-12.0

LOAN INTEREST RATE

in percent

End-of-period	Loan rates					
	Bank of Mongolia	Commercial loans				
		Short-term		Medium & long-term		
		Domestic currency	Foreign currency	1-3 years	3-5 years	more than 5
1993 12	120-300					
1994 12	72-264					
1995 12	72-150					
1996 12	72-109					
1997 01	66-108					
02	66.0					
03	48.0-66.0					
04	48.0-66.0					
05	48.0-66.0					
06	48.0-66.0					
09	48.0-66.0					
10	48.0-66.0					
11	45.0-50.0					
12	45.0-50.0					
1998 01	30.0					
02	30.0	47.7	39.5			
03	27.5	47.6	42.1			
04	25.0	49.7	49.1			
05	25.0	49.3	38.2			
06	37.5	47.8	41.9			
07	33.8	48.4	34.2			
08	30.0	47.9	36.8			
09	27.5	47.4	42.9			
10	26.3	46.9	41.8			
11	22.5	50.6	48.7			
12	23.3	45.8	34.2			
1999 01	21.2	49.9	39.5			
02	17.5	42.6	34.6			
03	23.3	47.2	37.2			
04	23.7	44.6	26.4			
05	21.2	47.6	34.2			
06	17.5	42.2	34.1			
07	17.5	42.6	34.4			
08	17.5	46.9	41.2			
09	17.5	42.4	30.6			
10	13.3	44.2	31.8			
11	11.6	39.1	34.4			
12	11.4	38.8	36.5			
2000 01	12.3	33.4	33.1			
02	11.3	45.0	26.5			
03	11.2	36.5	31.7			
04	12.8	37.0	29.7			
05	16.1	37.3	26.7			
06	15.6	38.9	27.1			
07	15.6	32.2	30.9			
08	14.6	35.3	23.5			
09	10.9	42.7	29.3			
10	11.1	37.7	31.6			
11	6.9	32.7	26.6			
12	8.6	34.7	25.8			

MARKET RATES

Togrog exchange rate against foreign currencies

End-of-period	USD		EUR	DEM	ITL	FRF	ATS	BEF	ECU	JPY	CHF	GBP	HKD
	end of period	monthly average											
1993 12	396.51	395.03		233.10	0.23	68.39	33.13		349.19	3.55	275.01	592.70	51.32
1994 12	414.09	413.00		262.35	0.25	76.02	37.28		498.77	4.12	310.99	639.77	53.51
1995 12	473.62	473.48		329.93	0.30	96.22	46.60		604.81	4.63	409.53	731.27	61.23
1996 12	693.51	692.76		445.82	0.45	132.37	63.37		860.82	5.98	514.28	1172.48	89.64
1997 01	730.19	711.24		446.38	0.46	132.45	63.74		866.37	6.13	517.13	1187.29	94.33
02	740.35	731.79		440.23	0.44	130.47	62.55		851.96	6.03	505.36	1201.07	95.60
03	830.00	801.39		495.52	0.49	146.75	70.26		960.93	6.70	572.14	1357.47	107.11
04	796.76	818.36		461.15	0.46	136.48	65.62		898.15	6.31	542.38	1293.54	102.84
05	791.70	785.64		467.49	0.47	138.69	66.50		911.25	6.85	564.09	1294.83	102.29
06	797.99	796.79		458.75	0.47	135.99	65.19		899.81	6.96	548.26	1327.06	102.97
07	800.32	799.07		435.43	0.45	129.25	61.87		861.62	6.85	527.92	1330.13	103.40
08	804.86	803.65		442.35	0.45	131.44	62.89		844.18	6.81	537.47	1293.41	103.92
09	804.30	803.85		458.29	0.47	136.05	64.94		895.79	6.63	562.62	1291.71	103.94
10	806.00	804.96		454.66	0.47	135.74	65.13		895.26	6.67	546.53	1303.91	104.14
11	809.31	808.05		459.88	0.47	138.53	65.91		919.82	6.45	570.30	1366.76	104.69
12	813.16	811.95		457.23	0.47	136.64	65.25		904.88	6.28	565.93	1358.14	104.93
1998 01	816.61	815.20		455.25	0.46	181.08	64.73		897.17	6.48	558.44	1350.80	105.46
02	816.50	816.55		448.87	0.46	133.92	63.82		888.19	6.42	555.97	1336.53	105.42
03	817.61	816.70		446.66	0.45	133.27	63.52		887.39	6.29	547.08	1360.09	105.52
04	819.52	817.98		442.24	0.45	131.94	62.83		879.30	6.15	534.92	1364.95	105.75
05	824.61	821.40		468.70	0.48	139.81	63.22		884.77	6.07	563.18	1344.74	106.40
06	838.63	833.56		463.59	0.47	138.13	65.92		917.25	5.90	549.96	1393.38	108.28
07	840.56	839.30		472.81	0.48	141.15	67.23		932.39	5.94	562.93	1393.44	108.47
08	849.92	846.33		486.29	0.49	144.27	68.85	23.25	947.87	6.01	593.52	1428.29	109.70
09	855.00	851.95		511.13	0.52	152.28	72.63	24.74	1003.73	6.29	618.44	1449.48	110.37
10	863.24	857.88		525.34	0.53	156.69	75.02	25.47	1036.45	7.28	643.22	1455.12	111.46
11	880.83	872.53		514.65	0.52	153.60	73.18	24.97	1008.42	7.13	624.30	1455.26	113.76
12	902.00	891.86		535.79	0.54	159.80	76.17	26.07	1052.86	7.71	656.72	1508.05	116.45
1999 01	950.00	916.45	1099.96	563.90	0.57	167.64	79.95	27.26		8.30	687.16	1572.96	122.67
02	985.00	975.16	1087.10	555.77	0.56	165.71	79.03	26.95		8.07	681.52	1596.19	127.11
03	1041.24	1019.63	1120.58	572.94	0.58	170.83	81.50	27.78		8.67	703.30	1689.93	134.37
04	1014.43	1024.93	1074.94	549.60	0.56	163.92	78.12	26.65		8.53	671.36	1638.56	130.89
05	1005.00	1004.40	1050.43	537.07	0.54	160.14	76.40	26.04		8.28	659.60	1610.96	129.59
06	1014.73	1008.06	1056.64	538.40	0.55	161.21	76.85	26.19		8.36	660.33	1608.35	130.81
07	1018.18	1015.01	1073.16	548.70	0.55	163.60	77.99	26.60		8.72	668.34	1611.83	131.19
08	1046.96	1035.24	1096.80	560.78	0.57	167.21	79.71	27.19		9.43	684.71	1662.89	134.84
09	1058.62	1052.28	1104.51	564.73	0.57	168.38	80.27	27.38		10.04	689.30	1737.09	136.29
10	1070.46	1065.69	1142.45	584.12	0.59	174.17	83.02	28.32		10.10	713.97	1774.07	137.76
11	1070.00	1074.16	1087.12	555.84	0.56	165.73	79.00	26.95		10.34	678.35	1719.01	137.69
12	1072.37	1070.43	1086.85	555.70	0.56	165.69	78.98	26.94		10.42	676.15	1734.56	137.99
2000 01	1087.61	1080.76	1065.97	545.02	0.55	162.51	77.47	26.42		10.17	661.87	1765.63	139.79
02	1092.75	1089.17	1061.06	542.51	0.55	161.76	77.11	26.30		9.97	660.27	1737.85	140.41
03	1090.00	1091.83	1065.15	544.60	0.55	162.38	77.41	26.40		10.20	670.60	1736.04	140.01
04	1035.00	1059.63	970.21	496.06	0.50	147.91	70.51	24.05		9.77	617.39	1630.95	132.88
05	1032.70	1024.68	963.15	492.45	0.50	146.83	69.99	23.88		9.65	615.07	1538.26	132.53
06	1065.00	1053.57	997.59	510.06	0.52	152.08	72.50	24.73		10.18	643.00	1598.62	136.69
07	1075.37	1071.32	993.05	507.74	0.51	151.39	72.17	24.62		9.82	641.57	1616.66	137.90
08	1082.54	1078.78	976.99	499.53	0.50	148.94	71.00	24.22		10.15	633.06	1592.58	138.79
09	1085.62	1084.14	957.25	489.43	0.49	145.93	69.57	23.73		10.05	628.98	1583.43	139.21
10	1096.00	1089.74	920.26	470.52	0.48	140.29	66.88	22.81		10.07	605.17	1591.06	140.52
11	1097.00	1096.61	919.67	470.22	0.47	140.20	66.84	22.80		9.91	604.17	1536.07	140.83
12	1097.00	1097.00	1006.61	514.67	0.52	153.46	73.15	24.95		9.74	659.53	1615.11	140.66

continued

End-of-period	RUR	CNY	KRW	CAD	AUD	THB	IDR	MYR	SGD	XAU	XAG	SDR	
1993 12					298.28							549.62	
1994 12	0.12	48.60			295.08							602.19	
1995 12	0.10	56.94			347.61							708.53	
1996 12	0.12	83.57	0.82		506.86							999.35	
1997 01	0.13	88.03	0.85		541.78							1052.20	
02	0.13	89.26	0.86		542.96							1022.33	
03	0.14	100.04	0.92		603.66							1146.13	
04	0.14	96.06	0.89		570.56							1090.92	
05	0.14	95.47	0.89		575.55							1079.72	
06	0.14	96.39	0.90		577.94							1088.30	
07	0.14	96.53	0.90		578.04							1092.44	
08	0.14	97.10	0.89		578.52							1083.88	
09	0.14	97.19	0.88		580.76							1083.13	
10	0.14	97.31	0.88		580.80							1085.42	
11	0.14	97.74	0.77		570.12							1089.87	
12	0.14	98.21	0.49		567.27							1095.06	
1998 01	136.12	98.65	0.47		561.73							1099.70	
02	136.11	98.62	0.49		574.21							1099.56	
03	136.29	98.75	0.56		576.49							1101.05	
04	133.74	98.98	0.57		576.94	537.93						1092.75	
05	134.57	99.60	0.58		568.99	517.65						1108.30	
06	134.70	101.29	0.60		571.41	507.16						1116.70	
07	134.16	101.52	0.67		559.94	517.24						1122.32	
08	77.27	102.65	0.64		544.04	482.97						1130.15	
09	53.32	103.28	0.62		565.01	502.06						1177.57	
10	51.41	104.28	0.66		559.24	534.48						1215.99	
11	48.80	106.41	0.71		573.54	557.30						1221.02	
12	42.65	108.96	0.74		582.16	547.97	24.73	0.11	237.68	543.18	257761.60	4446.86	1271.24
1999 01	40.77	100.00	0.80	625.45	601.40	25.57	0.10	250.33	563.55	272032.50	4849.75	1331.50	
02	43.58	118.98	0.81	661.43	629.07	26.05	0.11	259.55	574.01	282842.75	6104.04	1352.72	
03	39.74	125.75	0.85	688.15	660.30	27.63	0.12	274.02	599.97	291859.57	5692.56	1417.69	
04	41.36	122.54	0.86	687.24	662.98	26.98	0.12	267.31	594.17	287337.30	5530.57	1372.80	
05	40.67	121.40	0.85	684.67	652.80	27.08	0.12	264.82	581.26	271953.00	5168.10	1351.56	
06	41.50	122.59	0.88	692.34	671.19	27.66	0.15	267.39	596.27	263119.49	5346.59	1361.01	
07	41.90	123.01	0.84	676.33	662.28	27.23	0.15	268.30	599.28	258617.72	5499.95	1376.42	
08	42.22	126.49	0.88	703.06	658.69	27.35	0.14	275.88	620.35	265456.71	5615.59	1424.45	
09	41.73	127.89	0.87	719.73	691.33	25.98	0.13	278.95	620.35	290591.19	5853.91	1469.60	
10	41.53	129.32	0.89	724.43	694.14	27.45	0.16	281.70	643.38	323493.01	5997.85	1490.93	
11	40.42	129.25	0.89	728.59	680.89	27.47	0.15	281.58	639.76	316506.00	5653.02	1468.11	
12	39.95	129.53	0.95	730.75	691.09	28.52	0.15	282.20	642.41	308574.47	5651.60	1473.72	
2000 01	38.01	131.38	0.97	753.01	694.17	28.92	0.15	286.21	636.36	307521.73	5601.65	1482.71	
02	38.06	132.00	0.96	753.62	671.55	28.94	0.15	257.57	640.27	319356.19	5368.96	1469.96	
03	38.44	131.66	0.98	745.20	666.37	28.89	0.15	287.62	635.05	310541.00	5442.91	1459.80	
04	36.22	125.02	0.93	702.36	613.60	27.28	0.13	272.37	609.18	289748.30	4846.19	1384.96	
05	36.51	124.77	0.91	687.37	593.23	26.42	0.12	271.76	596.52	281514.02	4743.50	1355.15	
06	37.81	128.67	0.95	717.95	632.34	27.26	0.12	281.02	614.86	301288.50	5261.10	1417.14	
07	38.65	129.89	0.96	729.31	627.53	25.85	0.12	282.99	620.49	298468.94	5328.46	1415.55	
08	39.06	130.74	0.97	729.03	620.89	26.56	0.13	284.88	630.12	296615.96	5293.62	1413.29	
09	39.01	131.13	0.96	729.56	594.97	25.46	0.12	285.69	621.78	295994.29	5319.54	1407.44	
10	39.38	132.40	0.96	716.62	572.61	25.01	0.12	288.42	624.39	290166.00	5206.00	1398.99	
11	39.33	132.52	0.91	709.07	572.80	25.20	0.12	288.68	624.18	292624.75	5112.02	1398.96	
12	39.18	132.52	0.89	720.81	608.56	26.10	0.12	288.68	634.84	300358.60	5062.66	1426.96	

BALANCE OF PAYMENTS

in millions of dollar

	1995	1996	1997	1998	1999	2000 ¹
Current account	38.9	-36.9	102.9	-75.6	-51.4	-61.0
Trade balance	-22.0	-87.4	65.1	-120.1	-112.9	-129.6
Exports F.O.B	451.0	423.4	568.5	462.3	454.2	502.0
Of which : Copper concentrate	257.6	174.5	211.4	124.8	119.2	150.7
Monetary gold	-	52.4	117.0	117.2	95.9	69.7
Combed cashmere	44.4	51.6	30.9	33.0	45.9	51.8
Other	149.0	144.9	209.2	187.3	193.3	229.9
Imports C.I.F	-473.0	-510.8	-503.4	-582.4	-567.1	-631.6
Service balance	9.2	-6.0	-2.1	-11.6	-13.1	-17.0
Receipts	57.3	55.7	52.7	77.9	75.8	77.2
Payments	-48.1	-61.7	-54.8	-89.5	-88.9	-94.2
Income, net	-25.4	-13.3	-12.0	0.4	0.1	-5.2
Interest payments	0.0	-9.3	-9.4	-9.2	-6.2	-9.1
Transfer, net	77.1	69.8	51.9	55.7	74.5	90.8
Private unrequited transfers	0.0	6.2	4.2	2.5	7.4	-4.3
Public unrequited transfers	77.1	63.6	47.7	53.2	67.1	95.1
Capital account	-16.9	41.3	27.0	128.6	69.5	72.5
Medium and long term	32.3	72.0	104.3	124.1	124.2	119.1
Direct investment	9.8	15.9	25.0	18.9	30.4	53.7
Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0
Loan disbursements, net	22.5	56.1	79.3	105.2	93.8	65.4
Of which: Disbursements	83.0	93.4	116.2	122.4	112.3	127.3
Amortization	-60.5	-37.3	-36.9	-17.2	-18.5	-61.9
Short term	-49.2	-30.7	-77.3	4.5	-54.7	-46.6
Commercial bank, net	-15.3	-9.3	-18.1	40.0	-17.7	-13.0
Non-banks	-33.9	-21.4	-59.2	-35.5	-37.0	-33.6
Errors and omission	11.4	-26.9	-75.1	-51.4	24.0	-9.8
Overall balance	33.4	-22.5	54.8	1.6	42.2	1.9
Financing	-33.4	22.5	-54.8	-1.6	-42.2	-1.9
Increase in net official reserves (-)	-33.4	16.6	-55.0	-5.6	-37.4	-1.9
Use of IMF credit	-10.7	-3.1	6.2	0.8	3.1	1.7
Arrears accumulation (+)/payments (-)	0.0	5.9	0.2	4.0	-4.8	0.0
Exceptional financing (rescheduling)	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items :						
Current account deficit (in percent of GDP)	5.2	-4.0	9.9	-7.0	-5.2	-5.8
Gross official reserves	100.8	97.8	139.9	123.2	155.9	181.9
In weeks of imports	11.1	10.0	14.5	11.0	14.3	15

¹ Preliminary

BANKS' BRANCHES AND UNITS (IN NUMBER)

	Banking system		Countryside		Share	
	00-12-31	99-12-31	00-12-31	99-12-31	00-12-31	99-12-31
Head office	12	12	-	-	-	-
Branch	66	73	55	55	83%	77%
Sub-branch	363	349	310	299	85%	86%
Cash desk/offices	16	15	6	4	38%	33%
Total	457	449	371	358	81%	80%

POPULATION PER BANKS' BRANCHES AND UNITS

Aimag (province)	Residents in thousands	Population per branches and units				
		Head office	Branch	Sub-branch	Cash desk/off	Total
1 Ulaanbaatar	691,0	57,6	30,0	9,1	8,0	8,0
2 Arkhangai	104,3		52,2	5,5	5,5	5,5
3 Bayan-Olgii	100,0		33,3	7,1	7,1	7,1
4 Bayankhongor	92,3		30,8	4,4	4,2	4,2
5 Bulgan	67,3		33,7	4,2	4,2	4,2
6 Govi-Altai	74,1		37,1	4,1	4,1	4,1
7 Govisumber	13,3		13,3	6,7	6,7	6,7
8 Darkhan uul	95,8		16,0	8,7	7,4	7,4
9 Dornogovi	50,5		16,8	2,8	2,8	2,8
10 Dornod	84,5		28,2	5,3	4,7	4,7
11 Dundgovi	54,8		18,3	3,7	3,7	3,7
12 Zavkhan	104,0		52,0	4,5	4,5	4,5
13 Orkhon	74,3		18,6	8,3	7,4	7,4
14 Ovorkhangai	118,4		59,2	5,6	5,6	5,6
15 Omnogovi	46,3		15,4	2,9	2,9	2,9
16 Sukhbaatar	59,7		29,9	4,6	4,6	4,6
17 Selenge	108,5		54,3	6,0	6,0	6,0
18 Tov	111,9		111,9	4,0	4,0	4,0
19 Uvs	98,4		24,6	4,5	4,5	4,5
20 Khovd	94,5		47,3	5,3	5,3	5,3
21 Khovsgol	124,5		41,5	4,6	4,6	4,6
22 Khentii	78,3		39,2	3,9	3,9	3,9

CHANGES OF BANKS' BRANCHES AND UNITS IN 2000

(compared with end of 1999)

ä/ä	Location	newly established			closed		
		Branch	Sub-branch	Cash desk/ off	Branch	Sub-branch	Cash desk/off
1	Arkhangai						
2	Bayan-Olgii					KHAAN(1)	
3	Bayankhongor						
4	Bulgan						
5	Govi-Altai						
6	Govisumber						
7	Darkhan uul	Zoos(1) Savings(1)	Golomt(1) Savings(1) KHAAN(2)				
8	Dornogovi	Trade & Dev(1)					
9	Dornod			KHAAN(1) Trade & Dev(1)			
10	Dundgovi		KHAAN(1)				
11	Zavkhan						
12	Orkhon		Golomt (1) Çïñ(1) Saving(1) KHAAN(1)	Golomt (1)	KHAAN(1)		Saving(1)
13	Ovorkhangai						
14	Omnogovi						
15	Sukhbaatar						
16	Selenge		Zoos (1) Trade & Dev(1)		KHAAN(1)	Post(4)	
17	Tov	Post (1)	KHAAN (5)		KHAAN(1)		
18	Uvs	Zoos (1)				KHAAN(1)	
19	Khovd				KHAAN(1)		
20	Khovsgol						
21	Khentii		Post (1)		Saving (1)		
	Total	5	17	4	5	6	2

Changes

By units:

Branch	0
Sub-branch	11
Cash desk/offices	2
Change	13

By banks:

Golomt	3
Zoos	4
Post	-2
Saving	1
KHAAN	4
Trade & Development	3
Change	13

LOCATION OF BANKS' BRANCHES AND UNITS

as at December 31 of 2000

Bank Location	Anod				Golomt				Zoos				Credit				Transport & Dev				UB khot				Saving			
	T	C	TT	K	T	C	TT	K	T	C	TT	K	T	C	TT	K	T	C	TT	K	T	C	TT	K	T	C	TT	K
1 Ulaanbaatar	1		2	1	1		6	1	1	1			1				1	2	2		1	6	4	1		26		
2 Arkhangai																												
3 Bayan-Olgii																										1		
4 Bayankhongor																										1	1	
5 Bulgan																												
6 Govi-Altai																												
7 Govisumber																												
8 Darkhan uul							1			1															1	1	2	
9 Dornogovi																												
10 Dornod																												
11 Dundgovi																												
12 Zavkhan																												
13 Orkhon						1	1	1			1														1	1		
14 Ovorkhangai																												
15 Omnogovi																												
16 Sukhbaatar																												
17 Selenge												1																
18 Tov																												
19 Uvs											1															1		
20 Khovd																										1		
21 Khovsgol																										1		
22 Khentii																												
Total	1		2	1	1	1	8	2	1	3	2		1				1	2	2		1	6	4	1	7	28	3	

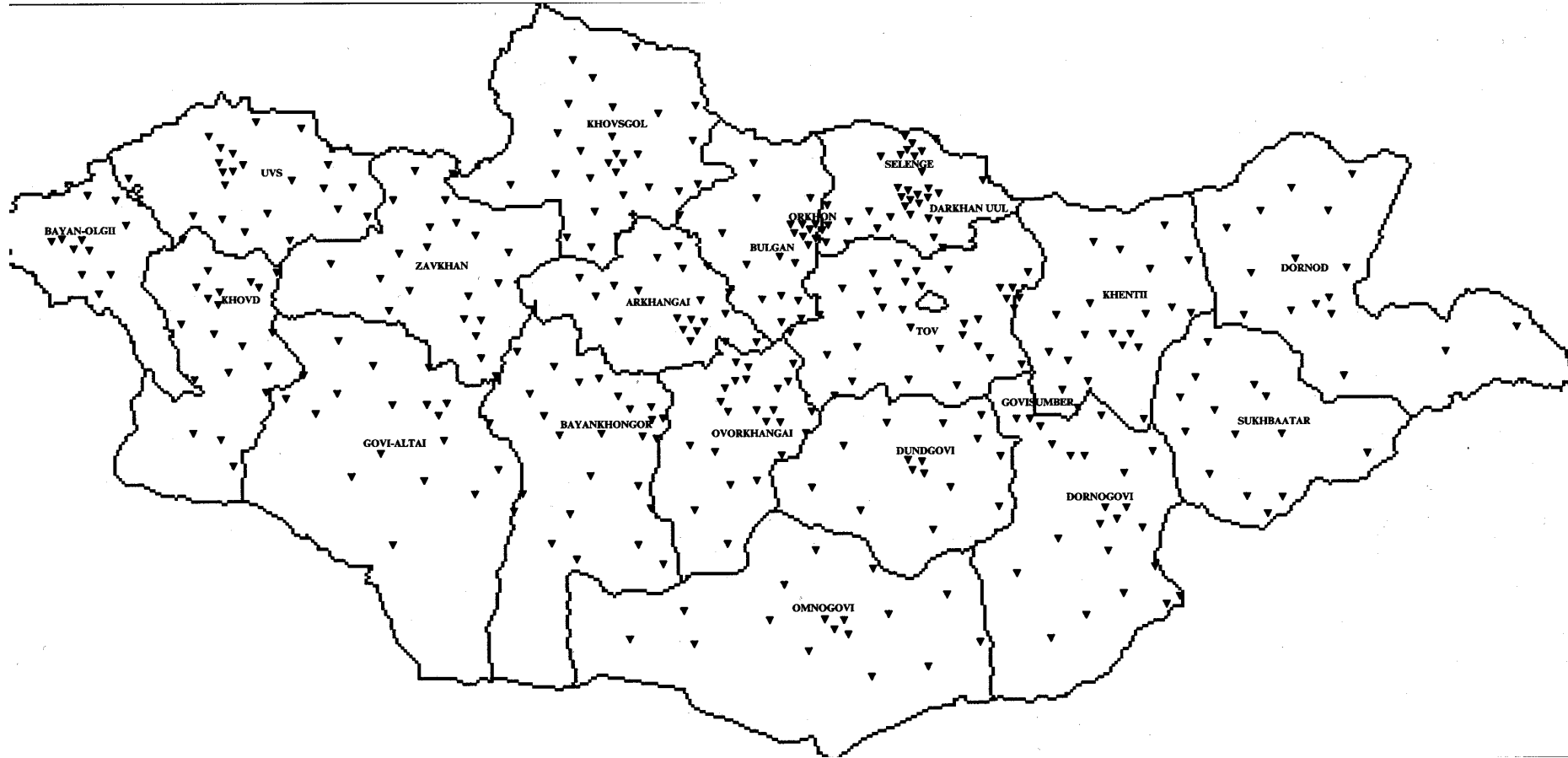
as at December 31 of 2000

Bank Location	KHAAN				Trade & Dev				Shinechlel				Post				Erel				Total								
	T	C	TT	K	T	C	TT	K	T	C	TT	K	T	C	TT	K	T	C	TT	K	T	C	TT	K	T	C	TT	K	
1 Ulaanbaatar	1	1				1	4	3		1	1	1	4	1		7		1	2						12	11	53	10	
2 Arkhangai		1	17											1													2	17	
3 Bayan-Olgii		1	10											1	1												3	11	
4 Bayankhongor		1	17											1	1												3	18	1
5 Bulgan		1	14											1													2	14	
6 Govi-Altai		1	16											1													2	16	
7 Govisumber														1	1												1	1	
8 Darkhan uul		1	2			1								1	1			1									6	5	2
9 Dornogovi		1	13			1	1							1	1												3	15	
10 Dornod		1	13	1		1		1						1													3	13	2
11 Dundgovi		1	12							1				1													3	12	
12 Zavkhan		1	20											1	1												2	21	
13 Orkhon			1			1								1	1												4	5	1
14 Ovorkhangai		1	17											1	2												2	19	0
15 Omnogovi		1	13							1				1													3	13	
16 Sukhbaatar		1	11											1													2	11	
17 Selenge						1	1							1	14												2	16	
18 Tov			27											1													1	27	
19 Uvs		1	18	1										1													4	18	
20 Khovd														1	16												2	16	
21 Khovsgol		1	22											1	2												3	24	
22 Khentii		1	17											1	1												2	18	
Total	1	17	260	2	1	9	5	1	1	3	1	4	1	21	49		1	3								12	66	363	16

Note

т - head office
 с - branch
 ТТ - sub-branch
 К - cash desk/offices

LOCATION OF BANK AND NON-BANK FINANCIAL INSTITUTIONS □ BRANCHES AND UNITS



▼ BRANCHES AND UNITS

MAIN ECONOMIC INDICATORS

	in percent				
	1996	1997	1998	1999	2000
GDP growth	2.4	4.0	3.5	3.5	1.1
Annual inflation rate, end of the year (1995=100)	44.6	20.5	6.0	10.0	8.1
Industrial output growth (at 1995 prices)	-2.5	4.4	3.6	1.2	2.4
Unemployment rate	6.5	7.5	5.8	4.6	5.0
Export changes	-6.1	34.3	-18.6	-1.8	10.5
Import changes	8.0	-1.4	15.7	2.8	11.4
Budget overall deficits (percentage of GDP)	7.5	7.8	12.2	10.6	6.0
Currency issued in circulation (changes)	54.7	23.2	8.8	48.2	17.2
Narrow money M1 (changes)	50.9	18.4	8.5	39.0	13.9
Broad money M2 (changes)	25.9	32.5	-1.7	31.7	17.5
Exchange rate (Togrog=1USD, changes)	46.4	17.3	10.9	18.9	2.3

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