

Business Tendency Survey (Third Quarter of 2025)

Summary:

The data collection for the “Business Tendency Survey” was conducted in October 2025. A total of 405 firms, representing the main sectors of the economy, participated in the survey. The consolidated results provide updated insights into business sentiment, inflation expectations, and sectoral outlooks.

- **Firm Characteristics:** The majority of firms that participated in the survey are limited liability companies operating in the manufacturing, construction, domestic trade, and services sectors. These businesses have over 10 years of operational experience, employ up to 200 workers, and generate annual sales revenue exceeding MNT 2.5 billion.
- **Inflation expectations:** Survey responses indicate the following inflation expectations (Figure 1.2):

Inflation expectations	by the end of 2025Q4	by the end of 2026Q3
Mean expectations	8.7%	9.5%
Median expectations	9.6%	10.2%

After rising for three consecutive quarters since June 2024, inflation expectations have shown a slight decline for the second consecutive quarter.

- **Economic Sentiment Indicator:** The index increased slightly in the manufacturing sector (+7.9) but declined in the domestic trade (-21.1), consumer (-16.0), construction (-12.6), and services (-0.9) sectors. Overall, the Economic Sentiment Index decreased by 2.0 units from the previous quarter, remaining in the contractionary territory at **87.3**, signaling subdued business demand and production activity.
- **Employment Expectations Index:** Employment expectations improved in services (+11.4), manufacturing (+3.9), and domestic trade (+1.5) sectors, while construction sector declined (-13.8). Consequently, the Employment Expectations Index rose by 6.0 units from the previous quarter, reaching **99.8** in the reporting quarter, indicating a neutral employment outlook.
- **Economic Uncertainty Index:** Uncertainty decreased across all main sectors, including consumer (-65.8), domestic trade (-32.5), manufacturing (-26.3), services (-22.5), and construction (-2.8). As a result, the overall Economic Uncertainty Index declined by 32.2 units from the previous quarter. Despite this decrease, the index remains in the expansionary range at **111.2**, indicating that the economic uncertainty remains elevated.

I. BUSINESS INFLATION EXPECTATIONS

In the reporting quarter, the directional indices for inflation expectations for the next 3 months and next 12 months increased slightly compared to the previous quarter. Both indices remained within the “Inflation increasing” range (Figure 1.1).

Figure 1.1: Inflation expectation index

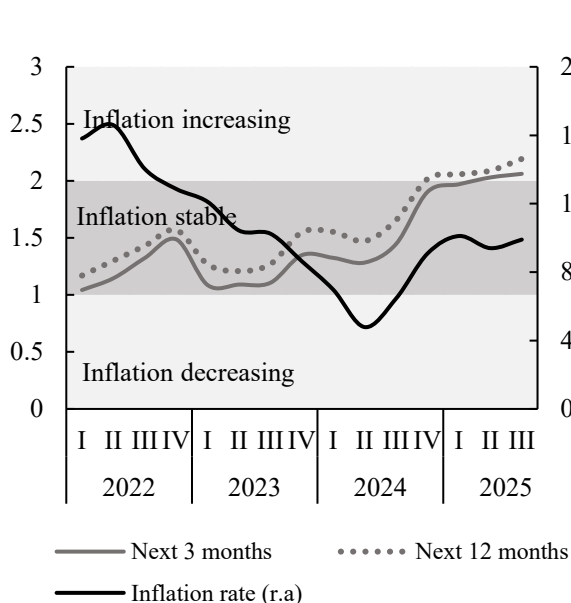
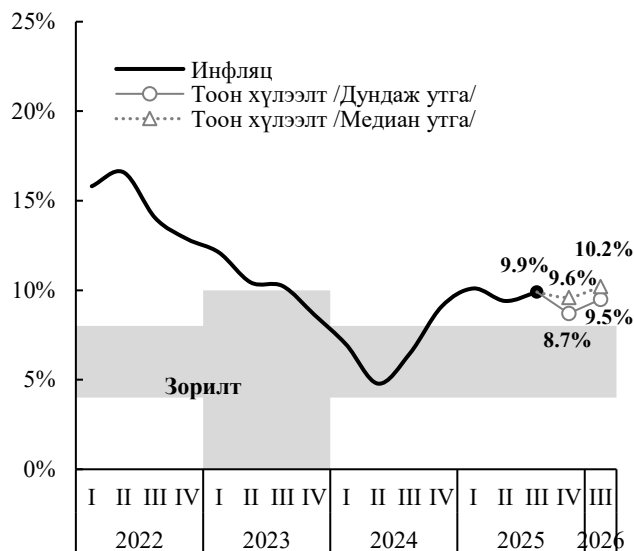


Figure 1.2: Inflation Expectation (Quantitative)



Findings from the survey indicate that the mean inflation rate is expected to be **8.7%** for Q4 2025, a decrease of 0.3 percentage points from the previous quarter. The mean expected inflation rate for Q3 2026 also decreased by 0.3 percentage points from the previous quarter to **9.5%** (Figure 1.2). The median expectation for Q4 2025 decreased by 0.2 percentage points to **9.6%**, and the expectation for Q3 2026 decreased by 0.4 percentage points to **10.6%** (Figure 1.3-Figure 1.4).

Figure 1.3: Inflation Expectation, Mean and Median (next 3 months)

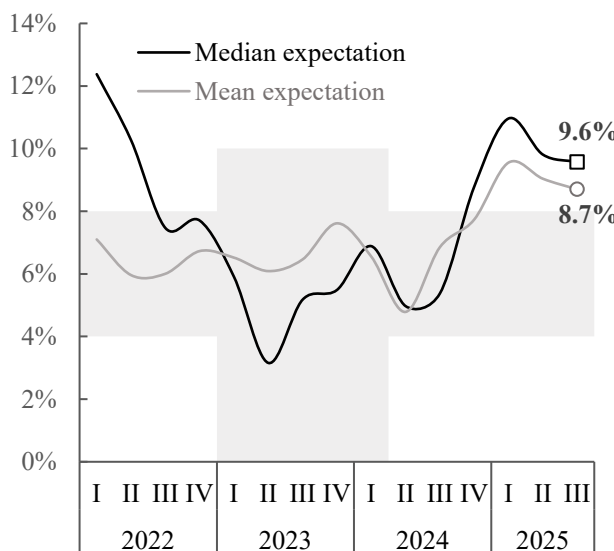
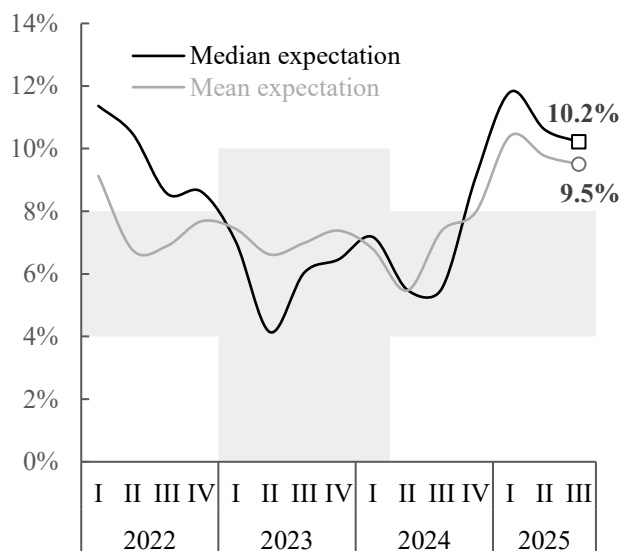
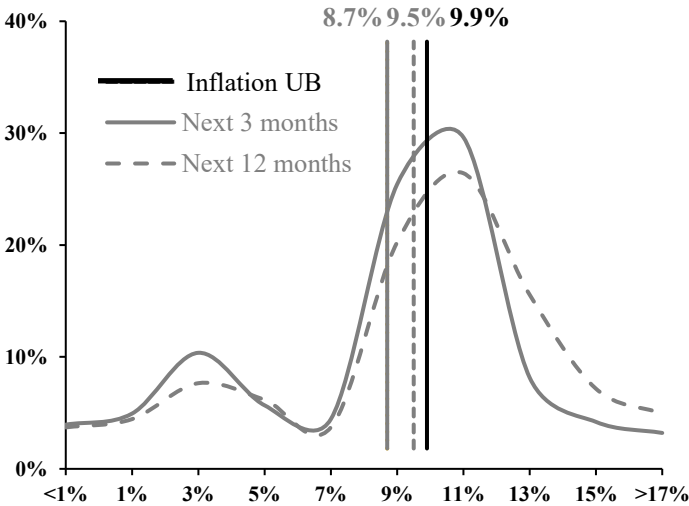


Figure 1.4: Inflation Expectation, Mean and Median (next 12 months)



By averaging the value within each interval based on the weighted responses, the expected inflation for the next 3 months is calculated to be **8.7%**, while for the next 12 months, the expected inflation is **9.5%** (Figure 1.5).

Figure 1.5: Distribution of Inflation Expectations, (Quantitative)



II. BUSINESS PERFORMANCE INDICATORS

Economic Sentiment Index *ESI*¹

The Economic Sentiment Index decreased by 2.0 units from the previous quarter to **87.3** in the third quarter of 2025. This indicates a slight decline in sentiment, with the index remaining in contraction territory (Figure 2.1). All main sector indices are below the neutral level of 100: manufacturing at 96.1, construction at 76.4, domestic trade at 68.6, services at 86.2, and consumers at 78.9. Compared to the previous quarter, manufacturing rose by 7.9 points, while domestic trade (-21.1), consumers (-16.0), construction (-12.6), and services (-0.9) declined during the reporting quarter (Figure 2.2).

Figure 2.1: Economic Sentiment Index

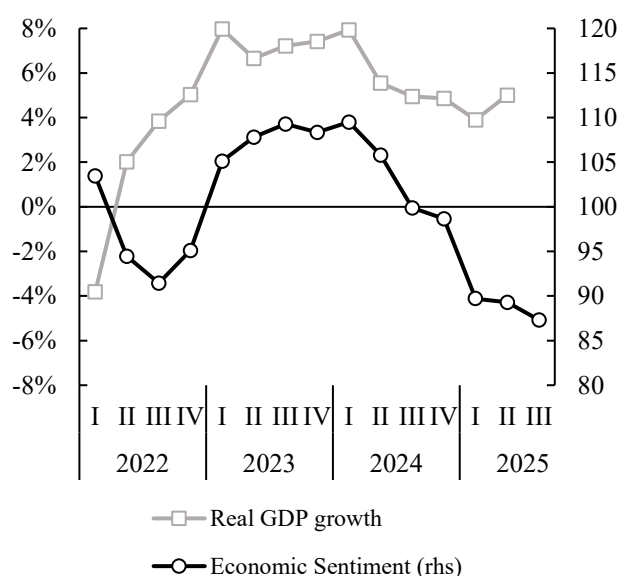
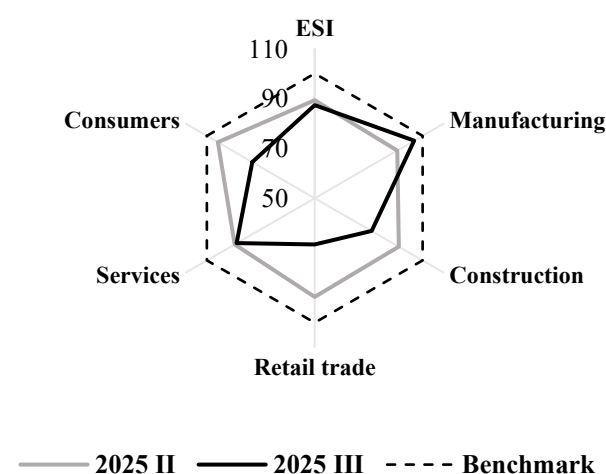


Figure 2.2: Economic Sentiment Index, by sector



Note: This indicator is determined by the average expectations of participants in the economy (consumers) regarding various factors, based on their experiences over the past 3 months. These factors include new orders, sales (financial situation, economic conditions), inventory levels, production, and employment for the next 3 months (financial situation, consumption, and economic conditions). The calculation follows the methodology outlined in the European Commission's "European Business Cycle Indicators" report. A value above 100 indicates an improvement in economic conditions, while a value below 100 reflects a downturn.

Note: The indicator was calculated using the methodology from the European Commission's "European Business Cycle Indicators" report, with weights assigned as follows: manufacturing 40%, services 30%, consumers 20%, construction 5%, and retail trade 5%.

¹ Economic Sentiment Index

Economic Employment Index (EEI)²

The Employment Expectations Index increased by 6.0 units from the previous quarter to **99.8** in the reporting quarter. The index registered near 100, signaling a neutral expectation of employment in the next quarter (Figure 2.3). Compared to the previous quarter, services (+11.4), manufacturing (+3.9), and domestic trade (+1.5) increased, while construction (–13.8) declined during the reporting quarter (Figure 2.4).

Figure 2.3: Employment Expectation Index

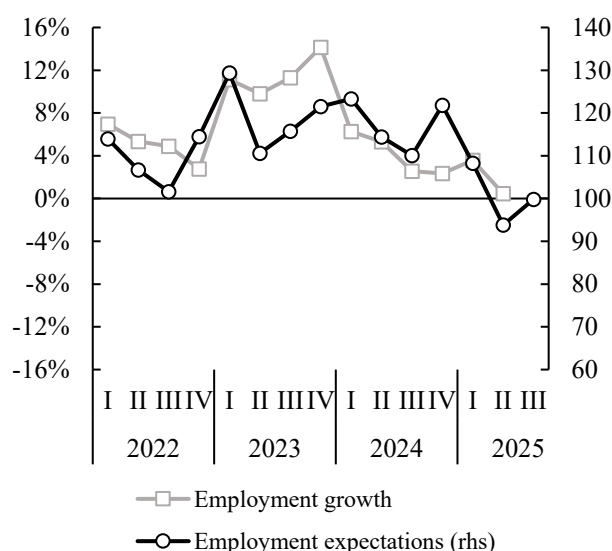
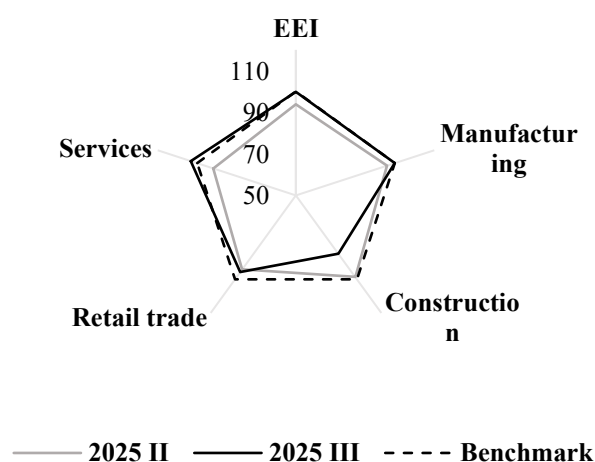


Figure 2.4: Economic Employment Index, by sector



Economics Uncertainty Index (EUI)³

In the third quarter of 2025, the Economic Uncertainty Index, calculated from business responses, decreased by 32.2 units from the previous quarter to **111.2**, indicating reduced uncertainty in the domestic economy (Figure 2.5). Conversely, global economic uncertainty rose during the same period. According to the “World Economic Outlook” report, short-term geopolitical tensions affecting foreign trade have temporarily stabilized and led to agreements; however, long-term policy uncertainty remains high. While inflation trends are declining in most countries, continued expansionary fiscal policies, high debt levels, and rising borrowing costs could still pose challenges to economic growth and stability.

In the reporting quarter, uncertainty was highest in construction (122.2), followed by services at (117.2), manufacturing (112.6), domestic trade (111.6), and was relatively low among consumers (96.8). Compared to the previous quarter, uncertainty decreased across all sectors: consumers uncertainty fell by 65.8 units, domestic trade by 32.5, manufacturing by 26.3, services by 22.5, and construction by 2.8 points (Figure 2.6).

² Economic Employment Index

³ Economic Uncertainty Index

Figure 2.5: Economic Uncertainty Index

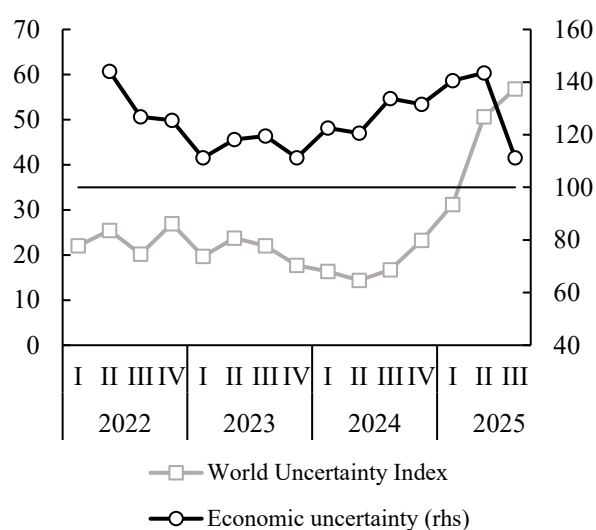
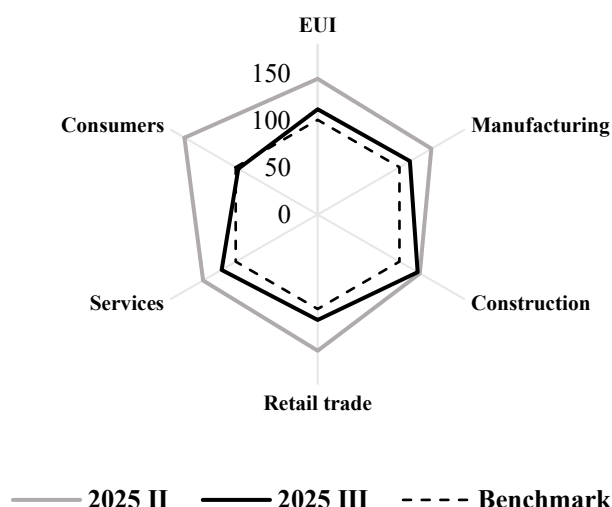


Figure 2.6: Economic Uncertainty Index, by sector



Other Expectations

Expectations for demand in the next quarter decreased by 14.3 units from the previous quarter to **85.2**, shifting into the contractionary territory. At the sectoral level, demand expectations declined in the construction, services, manufacturing, and domestic trade sectors (Figure 2.7). Expectations for exports in the next quarter increased by 3.2 units from the previous quarter to **95.7**, remaining in contractionary territory. At the sectoral level, expectations rose in the domestic trade, services, and manufacturing sectors, while expectation in the construction sector slightly declined (Figure 2.8). Demand expectations across the main sectors ranged from 83.3 to 91.3 units, while export expectations ranged from 91.7 to 100.0 units.

Expectations for lending rates in the next quarter declined by 9.6 units to **126.3**, remaining in the “interest rates to increase” territory. At the sectoral level, expectations decreased in the manufacturing, consumer, domestic trade, and services sectors, while expectations in the construction sector slightly increased (Figure 2.9). Exchange rate expectations increased by 5.3 units from the previous quarter to **160.3**, remaining in the “MNT to depreciate” territory. At the sectoral level, expectations of togrog depreciation rose in the domestic trade, construction, and manufacturing sectors, while expectation in the services slightly declined (Figure 2.10). The lending rate expectations across the main sectors ranged from 94.9 to 142.0 units, while exchange rate expectations ranged from 150.7 to 168.1 units.

Expectations for unit production costs in the next quarter increased by 6.5 units from the previous quarter to **164.2**, remaining in the expansionary territory. At the sectoral level, expectations declined in the manufacturing and construction sectors, while expectations increased in the domestic trade and services sectors (Figure 2.11). Expectations for labor costs in the next quarter increased by 3.8 units from the previous quarter to **145.8**, remaining in the expansionary territory. At the sectoral level, expectations increased in the manufacturing, domestic trade, and services sectors, while expectations in the construction sector declined slightly (Figure 2.12). Unit production cost expectations across the main sectors ranged from 100.0 to 171.0 units, while labor cost expectations ranged from 86.9 to 156.5 units.

Figure 2.7: Demand Expectations

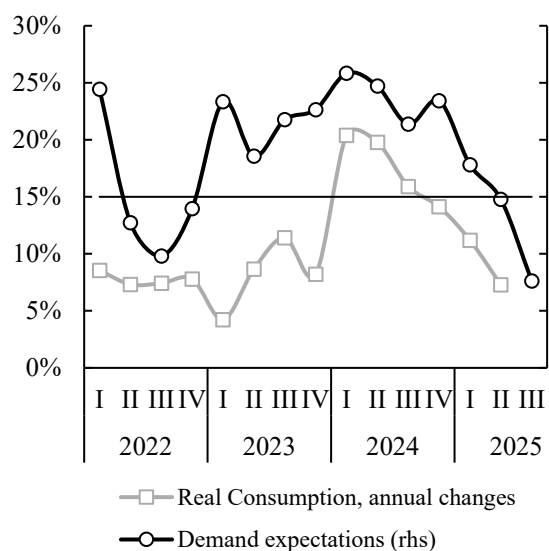


Figure 2.8: Export Expectations

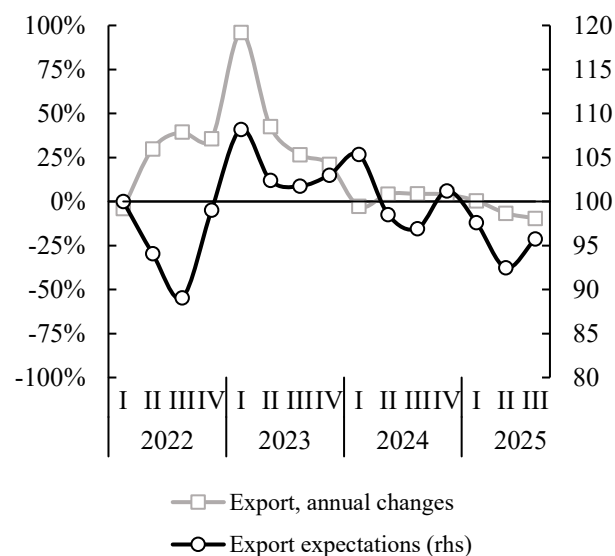


Figure 2.9: Loan Rate Expectations

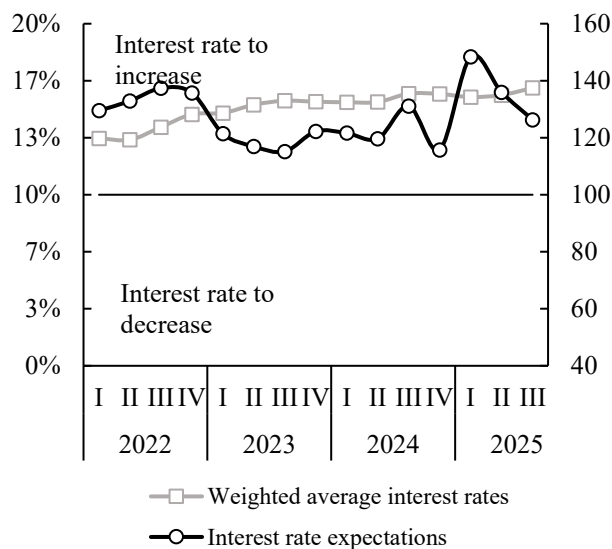


Figure 2.10: Exchange Rate Expectations

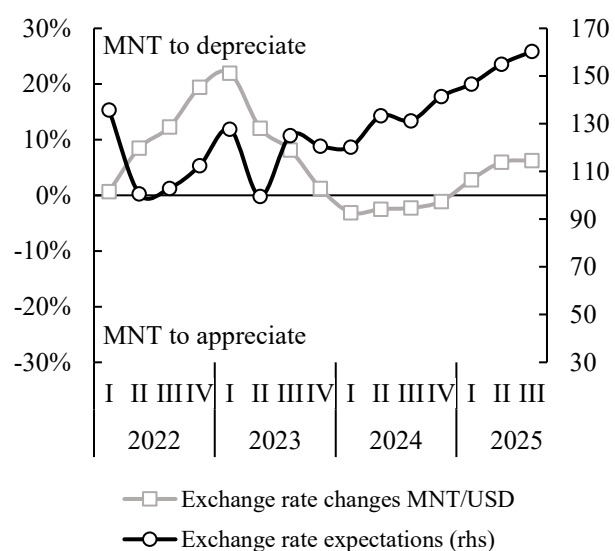


Figure 2.11: Cost per Unit Expectations

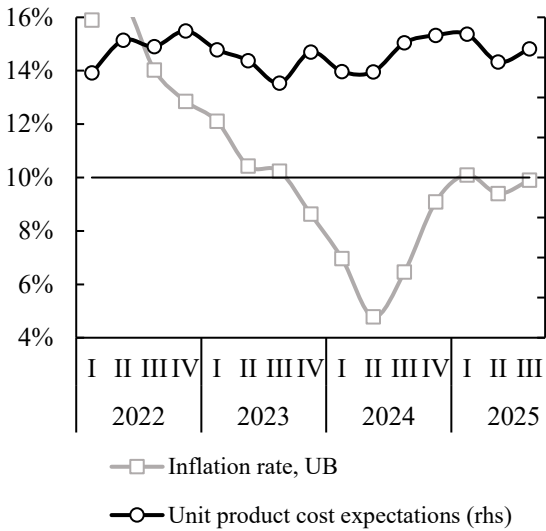
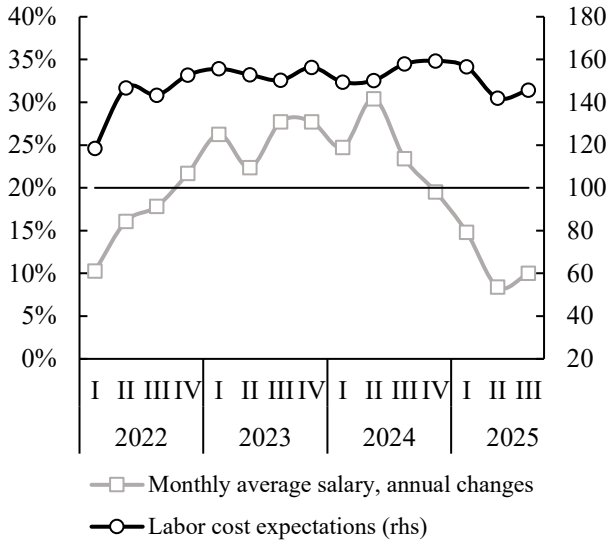


Figure 2.12: Labor Cost Expectations



III. APPENDIX

The survey was conducted in October 2025, involving a total of 405 business firms. In terms of ownership structure, 392 (97%) were limited liability companies (LLCs), 9 (2%) were joint-stock companies (JSCs), and the remaining 4 (1%) were other forms of business ownership (Table 1.1).

The survey predominantly involved private sector business firms, with 22% of firms operating for over 20 years, 13% for 15-20 years, 26% for 10-15 years, 28% for 5-10 years, and 11% for 5 years or less (Table 1.2).

By economic sector, 69 firms (17%) were engaged in wholesale and retail trade, 68 (17%) in food processing, 72 (18%) in construction, 58 (14%) in non-food manufacturing, 10 (2%) in mining, and 128 (32%) in services (Table 1.3).

Based on annual sales revenue, 152 firms (38%) had revenue exceeding 2.5 billion MNT, 63 firms (16%) had revenue between 1.0 billion and 2.5 billion MNT, 91 firms (22%) had revenue between 300 million and 1.0 billion MNT, 62 firms (15%) had revenue between 50.0 and 300.0 million MNT, and 37 firms (9%) had revenue up to 50.0 million (Table 1.4).

Table 1.1 Number of firms /by ownership type/

Types of a firm	number	%
Limited liability company	392	97%
Share holding company	9	2%
Other	4	1%
TOTAL	405	100%

Table 1.2: Number of firms /by operating years/

Operating years	number	%
Up to 5 years	44	11%
From 5-10 years	114	28%
From 10 to 15 years	106	26%
From 15 to 20 years	53	13%
More than 20 years	88	22%
TOTAL	405	100%

Table 1.3: Number of firms /by sector/

Sector of economic activities	number	%
Mining and quarrying	10	2%
Manufacturing (food)	68	17%
Manufacturing (not food)	58	14%
Construction	72	18%
Wholesale and retail trade	69	17%
Services	70	17%
Real Estate	5	1%
Transportation and storage	11	3%
Accommodation and food service activities	9	2%
Information and communication	7	2%
Financial and insurance activities	9	2%
Education services	6	1%
Health and social work	11	3%
TOTAL	405	100%

Table 1.4: Number of firms /by income/

Income	тоо	хүбь
Up to 50 million MNT	37	9%
50-300 million MNT	62	15%
300 million to 1.0 billion MNT	91	22%
1.0-2.5 billion MNT	63	16%
More than 2.5 billion MNT	152	38%
TOTAL	405	100%