Business Tendency Survey
(*Fourth Quarter of 2025*)

Summary:

Data collection for the "Business Tendency Survey" was conducted in February 2026. A total of 398 firms from the main sectors of the economy participated in the survey. Their responses have been consolidated and analyzed to assess overall business sentiment, expectations for economic activity and inflation:

- **Firm Characteristics**: The majority of firms that participated in the survey are limited liability companies operating in the food and non-food manufacturing, services, and construction. Most have more than 20 years of operational experience, employ up to 200 workers, and report annual sales revenue exceeding MNT 2.5 billion.
- **Inflation expectations**: Survey-based inflation expectations are summarized as follows (Figure 1.2):

Inflation expectations	By the end of 2026Q1	by the end of 2026Q4
Mean	**7.5%**	**8.4%**
Median	**7.8%**	**8.5%**

  After rising for three consecutive quarters from June 2024, inflation expectations have declined slightly over the past three quarters.

- **Economic Sentiment Index:** The index increased by 1.6 points from the previous quarter, driven by improvements in construction (+14.7), domestic trade (+10.9), services (+2.8), and consumers (+1.2). Despite this improvement, the overall index stood at 93.1, remaining below the threshold of 100, indicating continued weakness in demand and production conditions.
- **Employment Expectations Index:** Employment expectations increased in construction (+26.0), domestic trade (+17.7), and manufacturing (+9.0) sectors, while declining in services (-2.4). As a result, the overall index increased by 6.2 points from the previous quarter to **106.0** in the reporting quarter, moving into expansionary territory.
- **Economic Uncertainty Index:** Uncertainty increased across all main sectors, including manufacturing (+21.3), services (+6.7), domestic trade (+4.8), and construction (+4.6). Consequently, the overall Economic Uncertainty Index increased by 8.9 points from the previous quarter to **132.6,** indicating a further rise in perceived uncertainty among businesses.

I. BUSINESS INFLATION EXPECTATIONS

Enterprises participating in the survey were asked how they expect inflation to change. Based on their responses, directional indices were calculated for the next 3 months and the next 12 months. These indices declined slightly from the previous quarter but remained near the upper bound of the "inflation stable" range (Figure 1.1)

Figure 1.1: Inflation expectation index

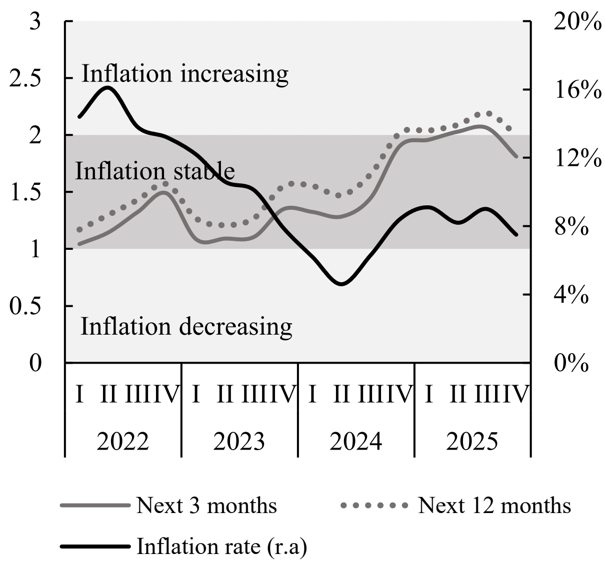
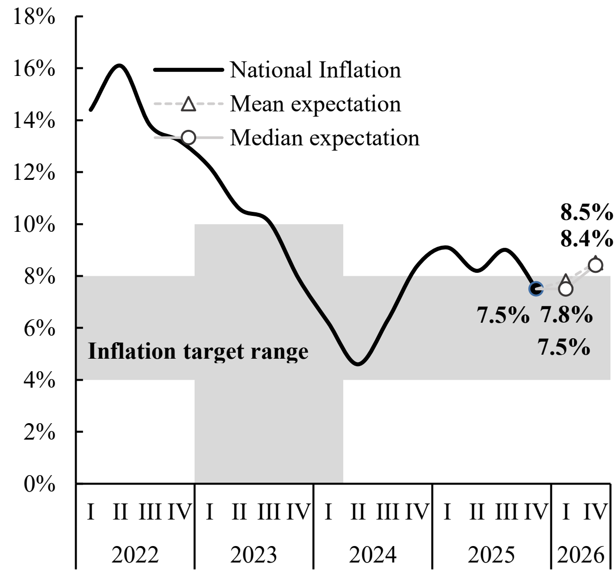


Figure 1.2: Inflation Expectation (Quantitative)



Findings from the survey indicate that the mean inflation rate for 2026Q1 is expected to be **7.5%** which is 1.2 percentage points lower than the result of previous quarter, and the rate for 2026Q4 is expected to be at **8.4%**, 1.0 percentage point lower than that of previous quarter (Figure 1.2). The median expectation for 2026Q1 decreased by 1.8 percentage points to **7.8%**, and the expectation for 2026Q4 decreased by 1.7 percentage points to **8.5%** (Figure 1.3-Figure 1.4). After rising for three consecutive quarters from June 2024, inflation expectations have shown a slight decline over the most recent three consecutive quarters.

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

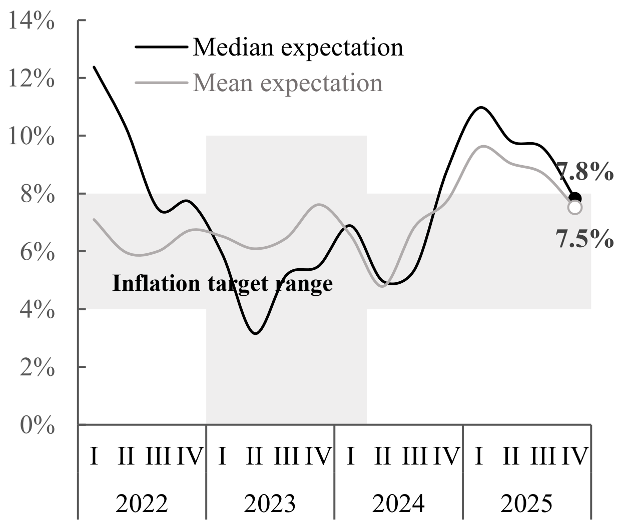
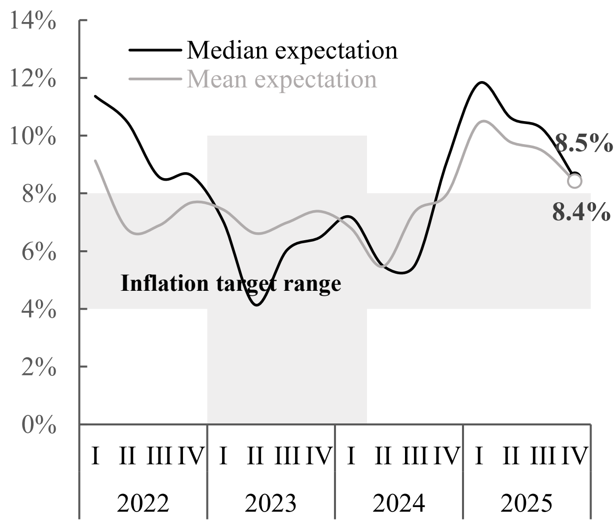
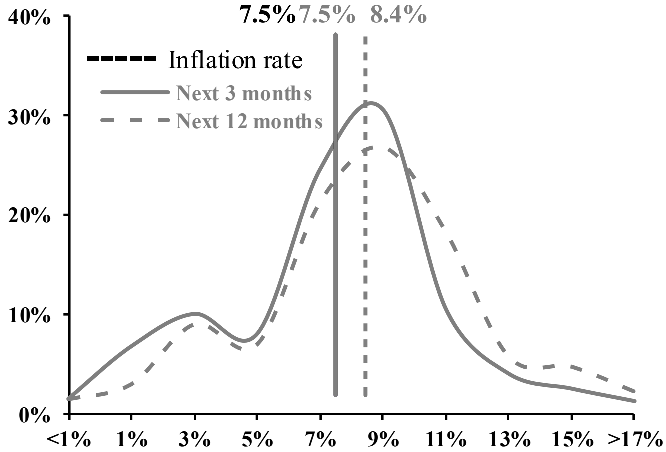


Figure 1.4: Mean and Median Inflation Expectation (next 12 months)



Using weighted responses and averaging the values within each response interval, expected inflation is estimated at **7.5%** for the next 3 months and **8.4%** for the next 12 months. The distribution of quantitative responses shows that, for both the next 3 months and the next 12 months, expectations are centered at around 9 percent. However, the distribution for the next 12 months is slightly flatter and more spread out on both sides, indicating greater dispersion in longer-term inflation expectations (Figure 1.5).

Figure 1.5: Distribution of Inflation Expectations, (Quantitative)

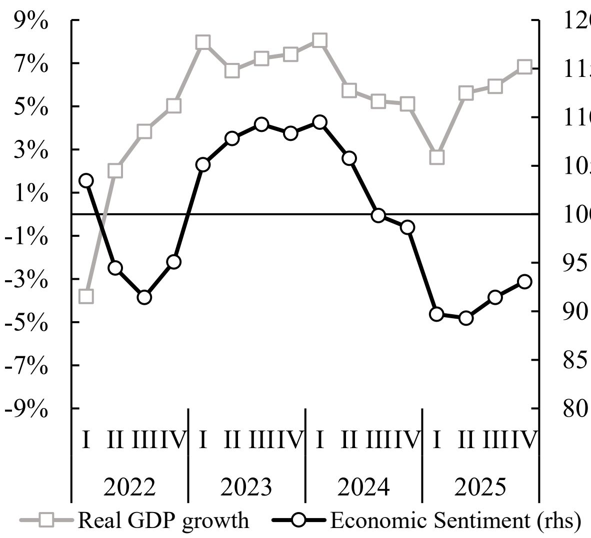


II. BUSINESS PERFORMANCE INDICATORS

Economic Sentiment Index ESI[1]

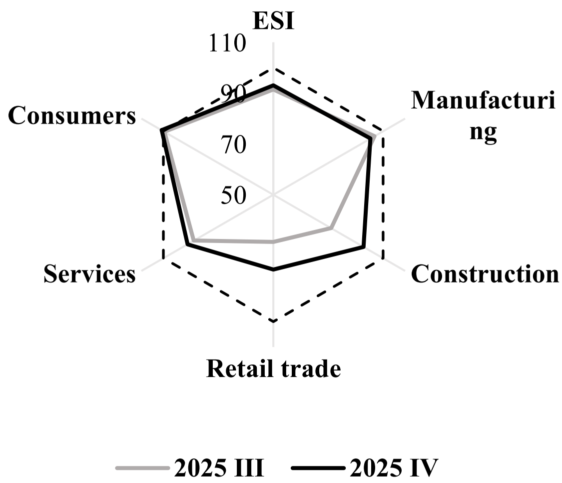
The Economic Sentiment Index increased by 1.6 points from the previous quarter reaching **93.1** in 2025Q4, but remained in contractionary territory (Figure 2.1). Across the main sectors, all indices except that of consumers remained below 100 – that is, in contractionary territory – namely manufacturing (94.2), construction (91.1), services (89.0), and domestic trade (79.5). In contrast, the consumer sentiment index rose to 100.8, moving into expansionary territory. Compared with the previous quarter, the index increased in all sectors except manufacturing, with increases observed in construction (+14.7), domestic trade (+10.9), services (+2.8), and consumers (+1.2) (Figure 2.2).

Figure 2.1: Economic Sentiment Index



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.

Figure 2.2: Economic Sentiment Index, by sector



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

Employment Expectations Index (EEI)[2]

The Employment Expectations Index increased by 6.2 points from the previous quarter reaching **106.0** in the reporting period, exceeding the threshold , indicating that firms expect employment to increase in the next quarter (Figure 2.3). By sector, the EEI remained in expansionary territory across all sectors: domestic trade (113.3), construction (110.7), manufacturing (110.0), and services (100.8). Compared with the previous quarter, the index increased significantly in construction (+26.0), domestic trade (+17.7), and manufacturing (+9.0), while services (-2.4) recorded a slight decline (Figure 2.4).

Figure 2.3: Employment Expectation Index

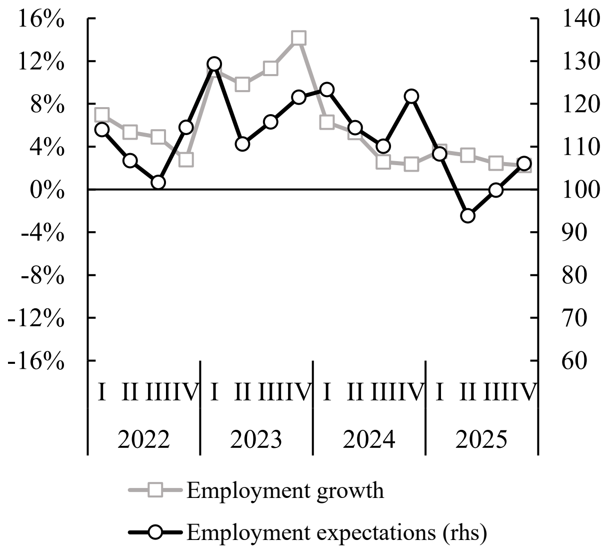
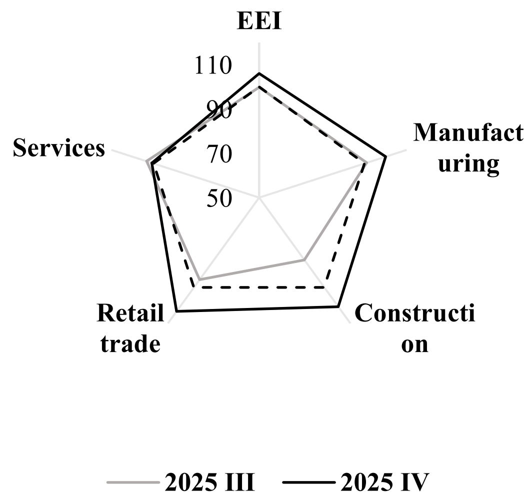


Figure 2.4: Employment Expectation Index, by sector



Economic Uncertainty Index (EUI)[3]

The Economic Uncertainty Index, derived from enterprise and household assessments of economic uncertainty in Mongolia, increased by 8.9 points from the previous quarter to **132.6** in 2025Q4. As the index remained above 100, economic uncertainty stayed elevated and remained in expansionary territory (Figure 2.5).

Despite showing some decrease in the reporting period, the global economic uncertainty[4] remains elevated over the medium to long term. According to the IMF's World Economic Outlook, trade tensions have eased somewhat since late 2025 through temporary truces, tariff reductions, and pauses on some export controls. However, policy uncertainty remains elevated, and the risk of renewed disruptions to trade flows and global supply chains continues to weigh on the medium-term global outlook.

In the reporting quarter, the EUI was highest among consumers (148.4), followed by manufacturing (134.0), construction (126.8), services (123.8), and domestic trade (116.4). Compared with the previous quarter, the consumer uncertainty declined significantly by 10.5 points, while the

[2] Economic Employment Index
[3] Economic Uncertainty Index
[4] World Uncertainty Index

uncertainty increased in manufacturing (+21.3), services (+6.7), domestic trade (+4.8), and construction (+4.6). (Figure 2.6).

Figure 2.5: Economic Uncertainty Index

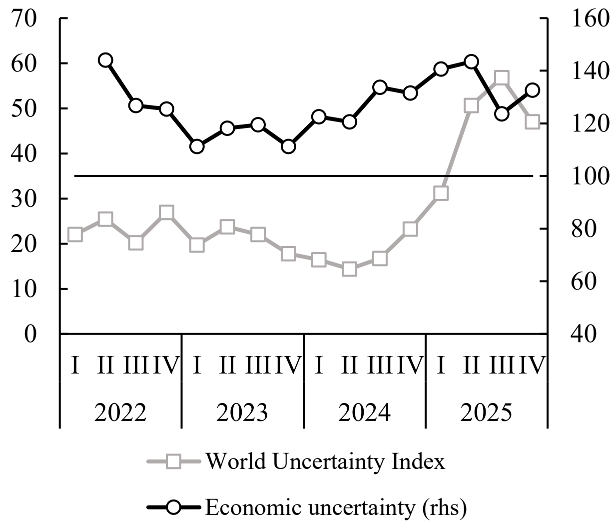
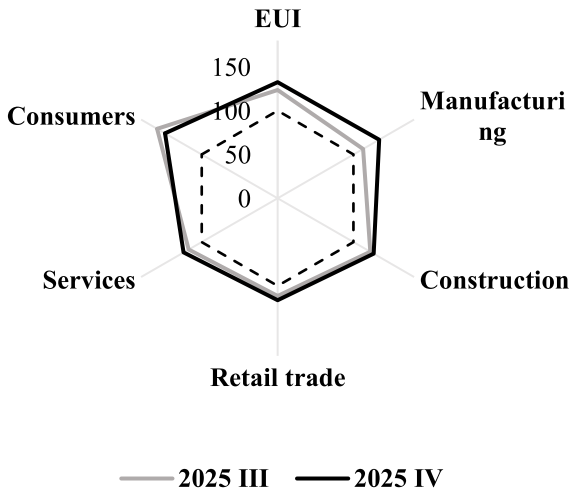


Figure 2.6: Economic Uncertainty Index, by sector



Other Expectations

Expectations for demand in the next quarter increased by 10.4 units from the previous quarter to **104.8**, moving into the expansionary territory (Figure 2.7). At the sectoral level, demand expectations increased in domestic trade, manufacturing, services and construction suggesting that firms across all surveyed sectors expect stronger demand. Expectations for exports in the next quarter increased by 2.3 units from the previous quarter to **98.1**, remaining in contractionary territory. Although all sectors recorded improvements, export expectations in the construction and domestic trade sectors continued to remain below the threshold (Figure 2.8).

Expectations for labor costs in the next quarter remained broadly unchanged from the previous quarter, standing at **148.7** and remaining in expansionary territory. By sector, expectations declined notably in the manufacturing and domestic trade, while slight increases were observed among consumers, construction, and services (Figure 2.9). Expectations for unit production costs in the next quarter decreased by 10.6 units from the previous quarter to **153.7**. Sectoral results indicate that the largest declines were recorded in manufacturing, domestic trade, and services, suggesting some easing of cost pressures in these areas (Figure 2.10).

Expectations for lending rates remained within the range indicating anticipated increase in borrowing costs, at **117.8**, despite declining for the third consecutive quarter (Figure 2.11). Similarly, exchange rate expectations for the next quarter decreased by 19.3 units from the previous quarter to **138.1**, but remained within the range reflecting expectations of MNT depreciation (Figure 2.12). Despite remaining elevated, the declines observed across all sectors for both indicators may be viewed as a positive development, suggesting a gradual easing in expectations regarding financial and currency-related pressures.

Figure 2.7: Demand Expectations

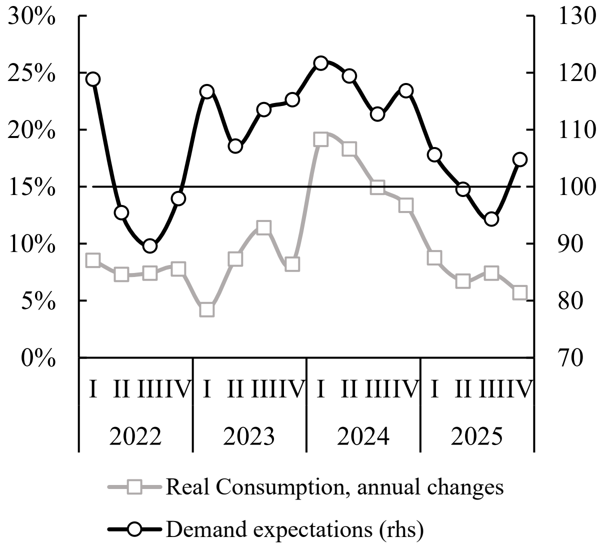


Figure 2.8: Export Expectations

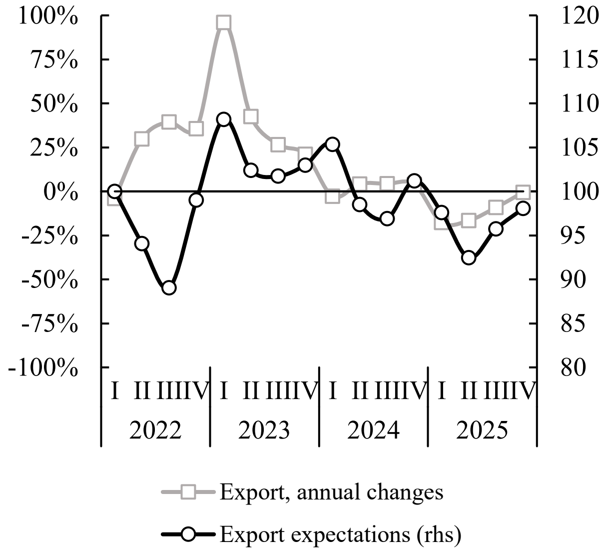


Figure 2.9: Labor Cost Expectations

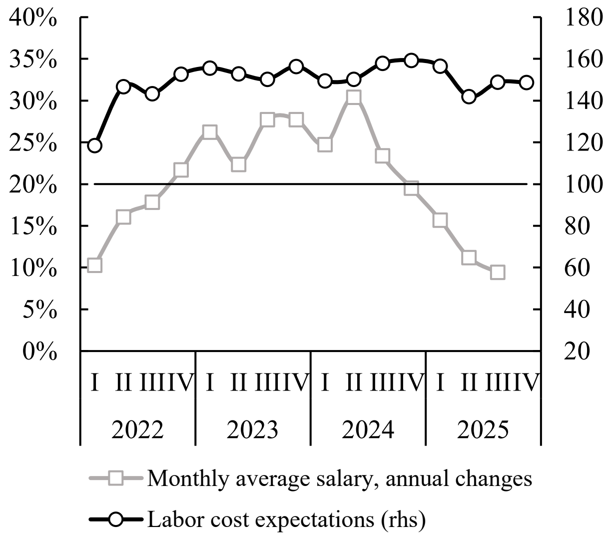


Figure 2.10: Cost Per Unit Expectations

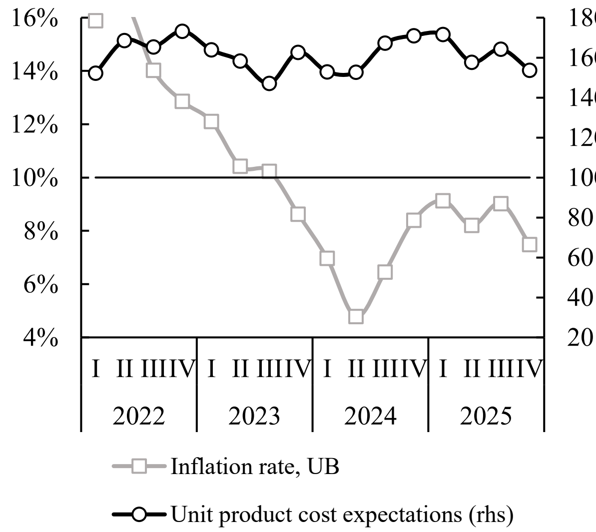


Figure 2.11: Loan Rate Expectations

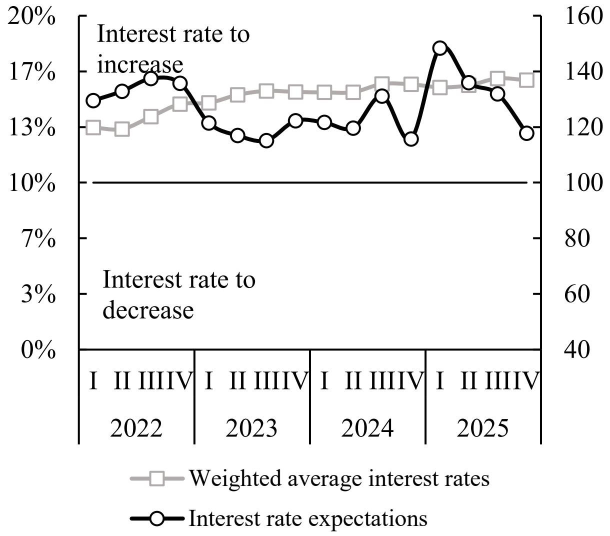
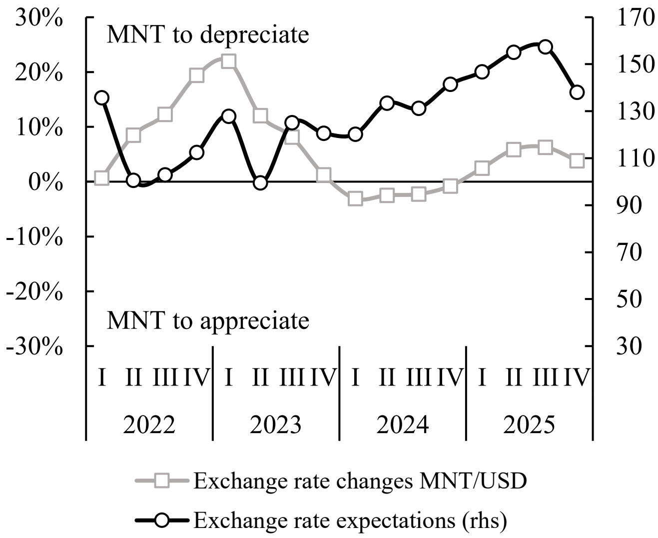


Figure 2.12: Exchange Rate Expectations



III. APPENDIX

The survey was conducted in February 2026 and covered a total of 398 enterprises. In terms of ownership structure, 377 (95%) were limited liability companies (LLCs), 14 (4%) were joint-stock companies (JSCs), and the remaining 7 (2%) were enterprises with other forms of ownership (Table 1.1).

Private enterprises accounted for the majority of respondents. In terms of years in operation, 41% of surveyed firms had been in business for over 20 years, 21% for 5-10 years, 19% for 15-20 years, 14% for 10-15 years, and 5% had been in operation for five years or less (Table 1.2).

By economic activity sector, 73 firms (18%) were engaged in wholesale and retail trade, 63 firms (16%) in food manufacturing, 56 firms (14%) in construction, 40 firms (10%) in non-food manufacturing, 12 firms (3%) in mining and 76 firms (19%) in services (Table 1.3).

In terms of annual sales revenue, 174 firms (44%) reported sales revenue exceeding MNT 2.5 billion, 71 firms (18%) reported revenue between MNT 1.0 billion and 2.5 billion, 72 firms (18%) reported revenue between MNT 300 million and 1.0 billion, 52 firms (13%) reported revenue between MNT 50 and 300 million, and 29 firms (7%) reported revenue of less than MNT 50.0 million (Table 1.4).

Table 1.1 Number of firms /by ownership type/

Types of a firm	number	%
Limited liability company	377	95%
Share holding company	14	4%
Other	7	2%
TOTAL	**398**	**100%**

Table 1.2: Number of firms /by operating years/

Operating years	number	%
Up to 5 years	20	5%
From 5-10 years	84	21%
From 10 to 15 years	54	14%
From 15 to 20 years	75	19%
More than 20 years	165	41%
TOTAL	**398**	**100%**

Table 1.3: Number of firms /by sector/

Sector of economic activities	number	%
Mining and quarrying	12	3%
Manufacturing (food)	63	16%
Manufacturing (not food)	40	10%
Construction	56	14%
Wholesale and retail trade	73	18%
Services	76	19%
Real Estate	3	1%
Transportation and storage	20	5%
Accomodation and food service activities	5	1%
Information and communication	9	2%
Financial and insurance activities	16	4%
Education services	7	2%
Health and social work	18	5%
TOTAL	**398**	**100%**

Table 1.4: Number of firms /by annual income/

Income	тоо	хувь
Up to 50 million MNT	29	7%
50-300 million MNT	52	13%
300 million to 1.0 billion MNT	72	18%
1.0-2.5 billion MNT	71	18%
More than 2.5 billion MNT	174	44%
TOTAL	**398**	**100%**