

Business Tendency Survey (Second Quarter of 2025)

Summary:

The data collection for the “Business Tendency Survey” was conducted in July 2025. A total of 402 firms, representing the main sectors of the economy, participated in the survey. The results have been consolidated and analyzed to provide insights into business sentiment and inflation expectations:

- **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:** Based on the survey responses, inflation expectations are summarized as follows (Figure 1.2):

Inflation expectations	by the end of 2025Q2	by the end of 2026Q1
Mean expectations	9.0%	9.8%
Median expectations	9.8%	10.6%

- **Economic Sentiment Indicator:** Across the main sectors, economic sentiment for domestic trade (+8.8) and services (+4.2) increased, while construction (-9.2), manufacturing (-2.5), and consumer (-6.8) sectors declined. As a result, the Economic Sentiment Indicator decreased by 0.4 units from the previous quarter, remaining in contractionary territory at **89.3** in the reporting quarter.
- **The Employment Expectations Index:** Across the main sectors, employment expectations slightly increased in the manufacturing sector (+0.9), while construction (-22.7), domestic trade (-17.8), and services (-18.7) sectors declined. As a result, the Employment Expectations Index fell by 14.4 units from the previous quarter, shifting into contractionary territory at **93.3** in the reporting quarter.
- **The Economic Uncertainty Index:** Across the main sectors, uncertainty increased in construction (+21.7), services (+12.3), domestic trade (+3.8), and consumer (+7.0) and slightly decreased in the manufacturing sector (-8.8). As a result, the Economic Uncertainty Index rose by 2.3 units from the previous quarter, remaining in the expansionary range at **143.3** in the reporting quarter.

I. BUSINESS INFLATION EXPECTATIONS

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

Figure 1.1: Inflation expectation index

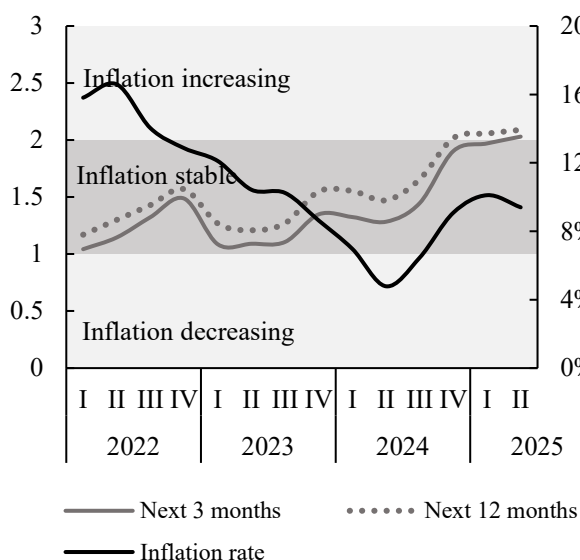
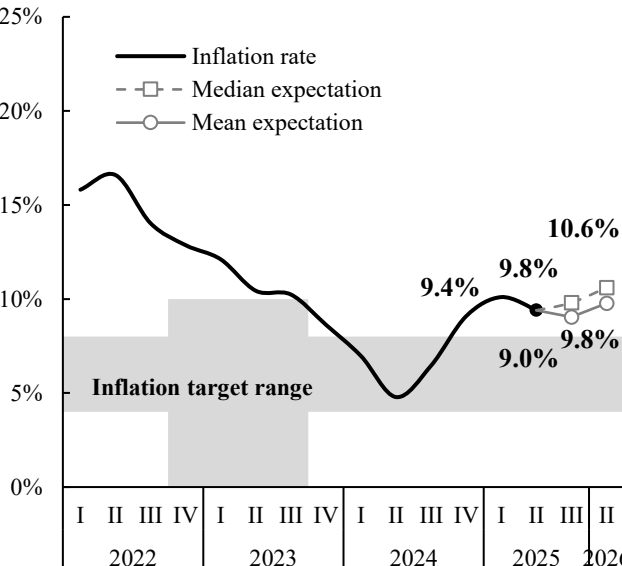


Figure 1.2: Inflation Expectation (Quantitative)



Findings from the survey indicate that the mean inflation rate is expected to be **9.0%** for Q3 2025, a decrease of 0.6 percentage points from the previous quarter. The mean expected inflation rate for Q2 2026 also decreased by 0.6 percentage points from the previous quarter to **9.8%** (Figure 1.2). The median expectation for Q3 2025 decreased by 1.1 percentage points to **9.8%**, and the expectation for Q2 2026 decreased by 1.2 percentage points to **10.6%** (Figure 1.3-Figure 1.4).

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

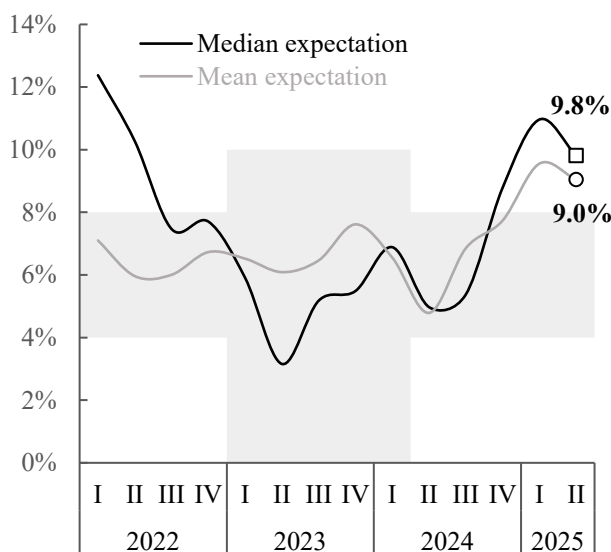
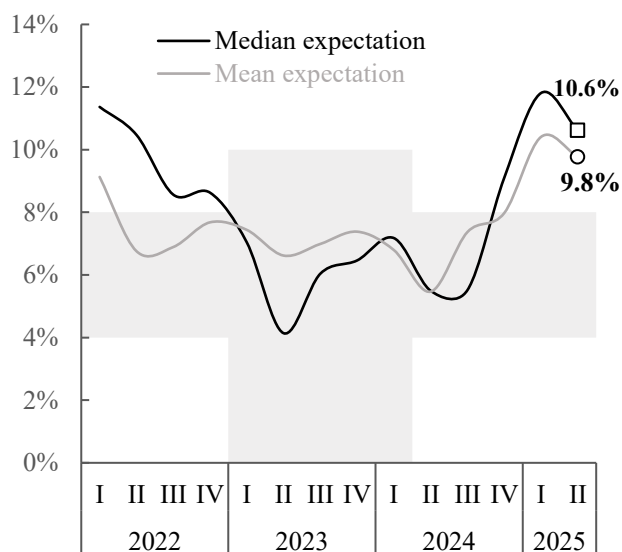
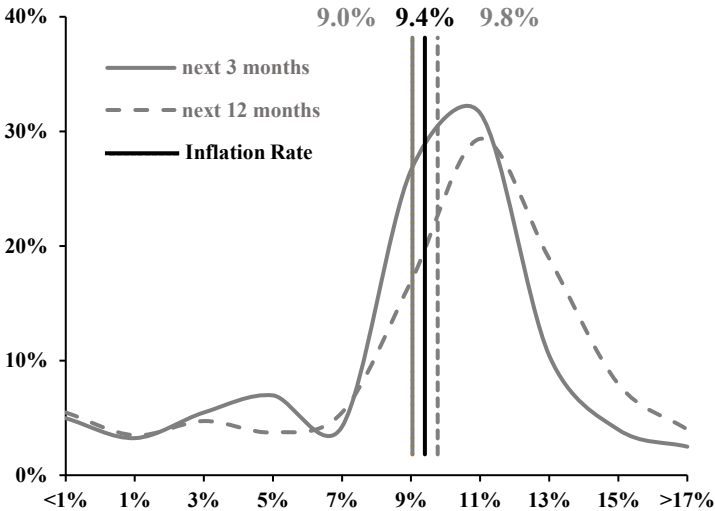


Figure 1.4: Inflation Expectation, Mean and Median (next 12 months)



By averaging the value within each interval based on the weighted responses, the expected inflation for the next 3 months is calculated to be **9.0%**, while for the next 12 months, the expected inflation is **9.8%** (Figure 1.5).

Figure 1.5: Distribution of Inflation Expectations, (Quantitative)



II. BUSINESS PERFORMANCE INDICATORS

Economic Sentiment Index ESI¹

The Economic Sentiment Index decreased by 0.4 units from the previous quarter to **89.3** in the second quarter of 2025. The index is relatively unchanged from the previous quarter and remains within the contraction territory (Figure 2.1). Examining the indices of the main sectors, all are below 100: manufacturing at 88.2, construction at 89.0, domestic trade at 89.7, services at 87.1, and consumers at 94.9. Compared to the previous quarter, domestic trade (+8.8) and services (+4.2) increased, whereas construction (-9.2), consumers (-6.8), and manufacturing (-2.5) declined in the reporting quarter (Figure 2.2).

Figure 2.1: Economic Sentiment Index

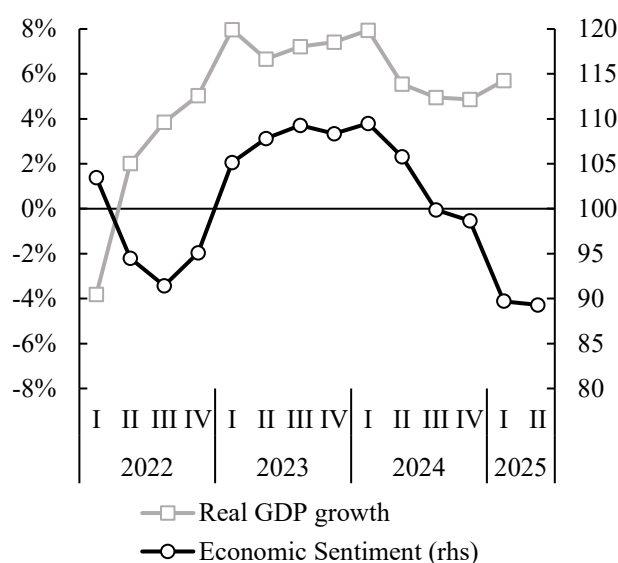
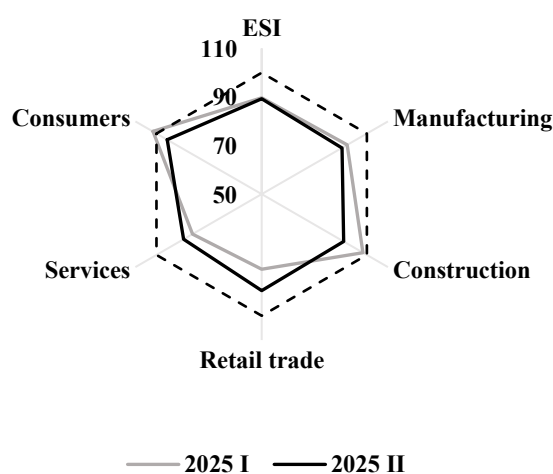


Figure 2.2: Economic Sentiment Index, by sector



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 decreased by 14.4 units from the previous quarter to **93.8** in the reporting quarter, shifting into the contractionary territory. The index registered below 100, signaling a growing expectation of employment declines in the next quarter (Figure 2.3). Examining the main sectors, all indices are below 100: construction at 98.5, domestic trade at 94.1, services at 91.9, and manufacturing at 98.5. Compared to the previous quarter, the construction (-22.7), services (-18.7), and domestic trade (-17.8) sectors declined, while the manufacturing sector slightly increased by 0.9 units in the reporting quarter (Figure 2.4).

Figure 2.3: Employment Expectation Index

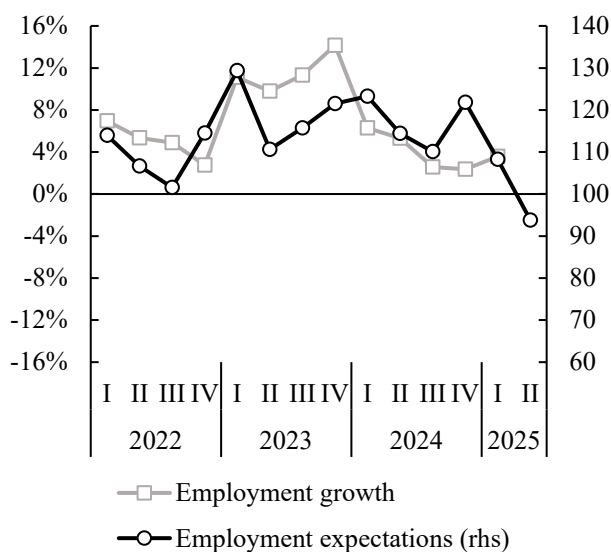
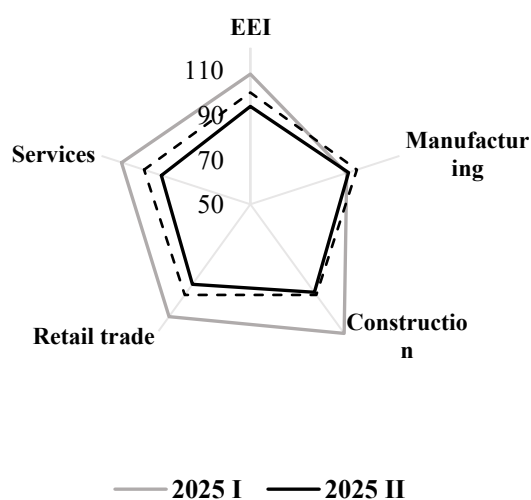


Figure 2.4: Economic Employment Index, by sector



Economics Uncertainty Index (EUI)³

In the second quarter of 2025, the Economic Uncertainty Index, calculated from business responses, increased by 2.8 units from the previous quarter to **143.3**, indicating heightened uncertainty in the domestic economy (Figure 2.5). Similarly, global economic uncertainty also rose during the same period. The “World Economic Outlook” report published by the IMF notes that uncertainties remain high regarding geopolitical conditions affecting foreign trade and the economic situations of trade partner countries. Additionally, the report highlights that geopolitical tensions and trade protectionist policies may negatively impact long-term economic growth and inflation.

In the reporting quarter, uncertainty was highest among consumers at 162.6, followed by domestic trade at 144.1, manufacturing at 138.9, services at 113.7, and construction at 125.0. Compared to the previous quarter, uncertainty increased in all sectors except the manufacturing sector: domestic trade rose by 21.7 units, services by 12.3, consumers by 7.0, and construction by 3.8, while manufacturing declined by 8.8 units (Figure 2.6).

² Economic Employment Index

³ Economic Uncertainty Index

Figure 2.5: Economic Uncertainty Index

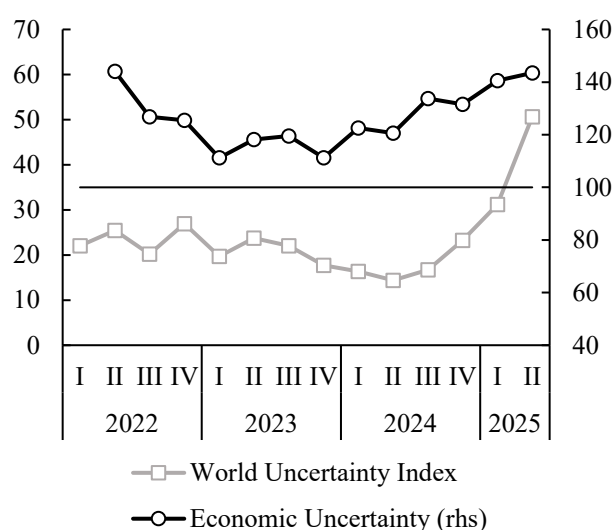
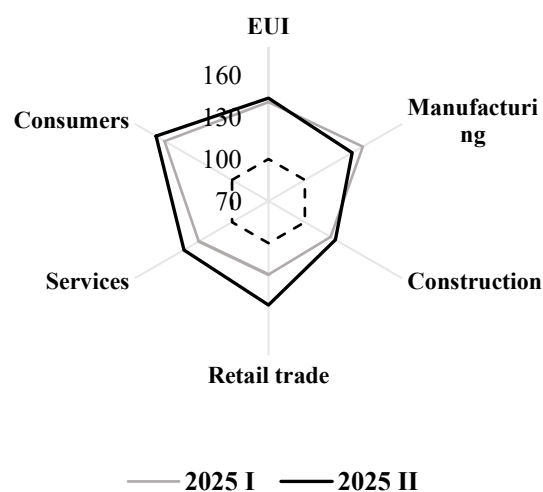


Figure 2.6: Economic Uncertainty Index, by sector



Other Expectations

Expectations for demand in the next quarter decreased by 6.1 units from the previous quarter to **99.6**, remaining close to the neutral threshold. At the sectoral level, demand expectations declined in the construction, services, and manufacturing sectors, while expectations in the domestic trade sector slightly increased (Figure 2.7). Expectations for exports in the next quarter declined by 5.1 units from the previous quarter to **92.5**, remaining in contractionary territory. At the sectoral level, export expectations decreased in the domestic trade, services, and manufacturing sectors (Figure 2.8). The demand expectations across the main sectors ranged from 86.8 to 130.2 units, while exchange rate expectations ranged from 88.3 to 94.7 units.

Expectations for lending rates in the next quarter declined by 12.5 units to **135.9**, remaining in the “interest rates to increase” territory. At the sectoral level, expectations decreased in the manufacturing, construction, and domestic trade sectors (Figure 2.9). Exchange rate expectations increased by 8.3 units from the previous quarter to **155.0**, remaining in the “MNT to depreciate” territory. At the sectoral level, expectations of depreciation rose in the services and domestic trade sectors, while expectations of appreciation slightly declined in the manufacturing and construction sectors (Figure 2.10). The lending rate expectations across the main sectors ranged from 118.9 to 151.2 units, while exchange rate expectations ranged from 138.9 to 169.1 units.

Expectations for unit production costs in the next quarter decreased by 13.8 units from the previous quarter to **157.8**, remaining in the expansionary territory. At the sectoral level, expectations declined in the domestic trade, manufacturing, and services sectors (Figure 2.11). Expectations for labor costs in the next quarter decreased by 14.6 units from the previous quarter to **141.9**, still remaining in the expansionary territory. At the sectoral level, expectations declined in the manufacturing, construction, and domestic trade sectors (Figure 2.12). The unit production cost expectations across the main sectors ranged from 145.6 to 170.6 units, while labor cost expectations ranged from 97.5 to 156.2 units.

Figure 2.7: Demand Expectations

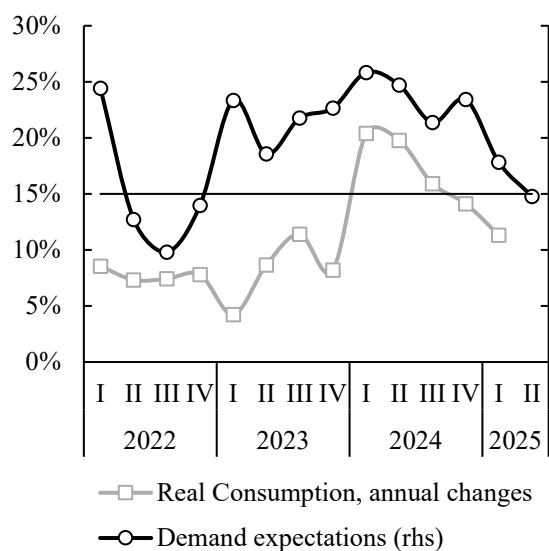


Figure 2.8: Export Expectations

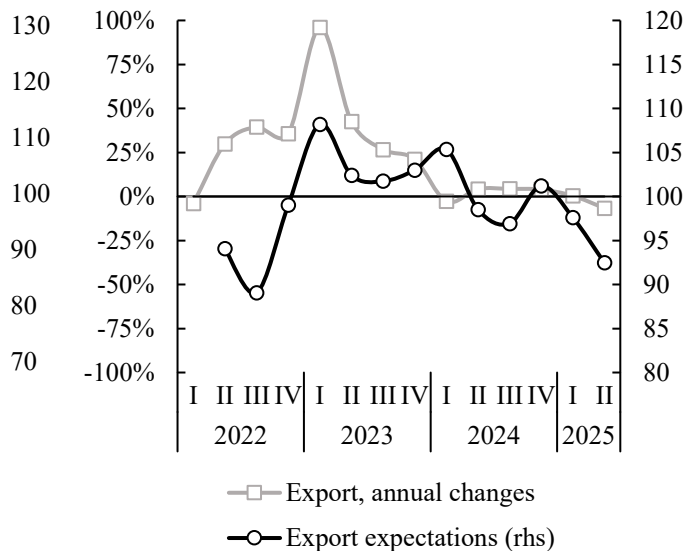


Figure 2.9: Loan Rate Expectations

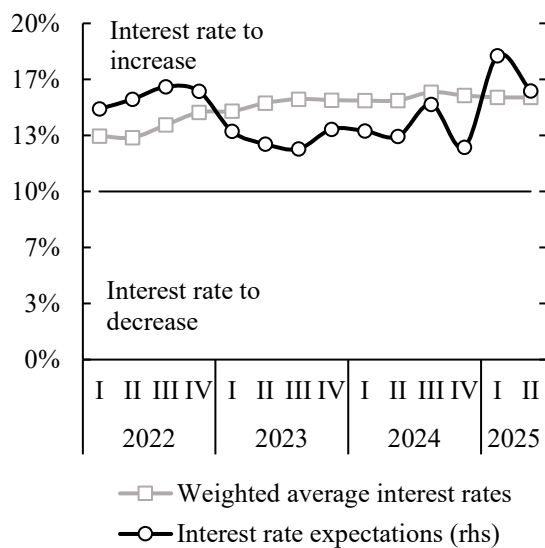


Figure 2.10: Exchange Rate Expectations

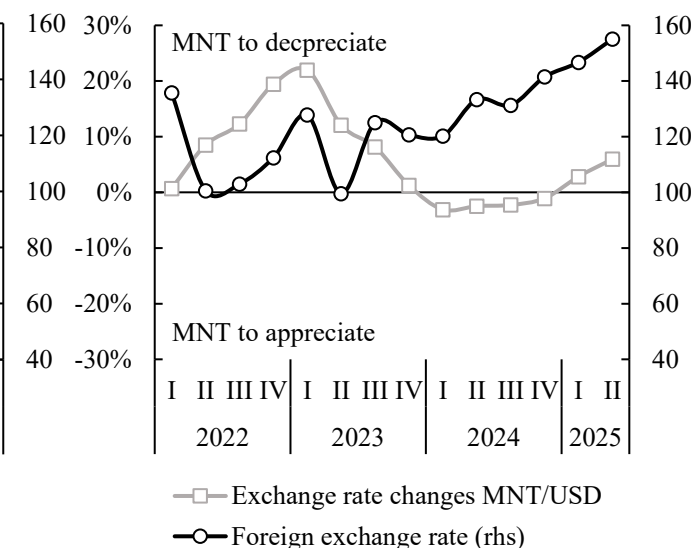


Figure 2.11: Cost per Unit Expectations

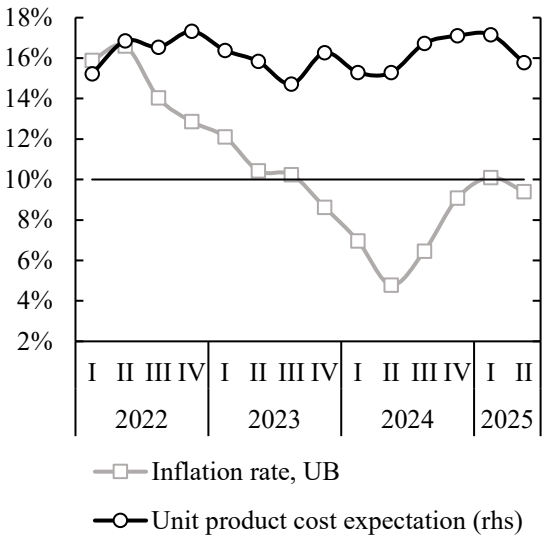
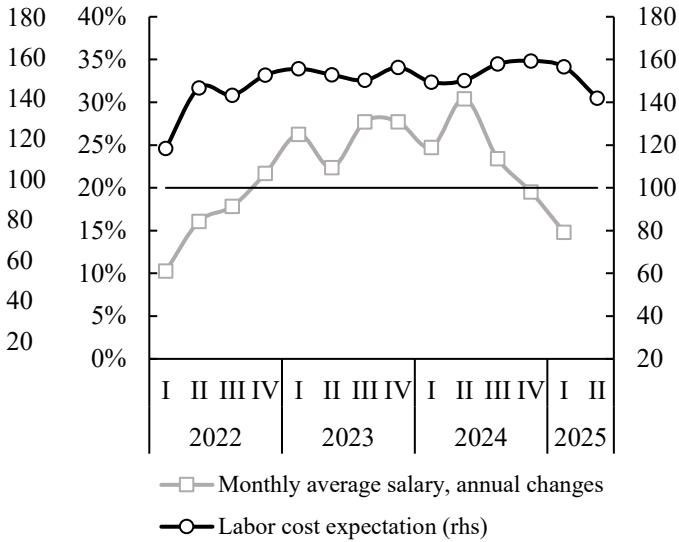


Figure 2.12: Labor Cost Expectations



III. APPENDIX

The survey was conducted in July 2025, involving a total of 402 business firms. In terms of ownership structure, 385 (96%) were limited liability companies (LLCs), 11 (3%) were joint-stock companies (JSCs), and the remaining 6 (1%) were other forms of business ownership (Table 1.1).

The survey predominantly involved private sector business firms, with 42% of firms operating for over 20 years, 24% for 15-20 years, 17% for 10-15 years, 13% for 5-10 years, and 4% for 5 years or less (Table 1.2).

By economic sector, 68 firms (17%) were engaged in wholesale and retail trade, 63 (16%) in food processing, 68 (17%) in construction, 34 (8%) in non-food manufacturing, 18 (4%) in mining, and 151 (38%) in services (Table 1.3).

Based on annual sales revenue, 192 firms (48%) had revenue exceeding 2.5 billion MNT, 66 firms (16%) had revenue between 1.0 billion and 2.5 billion MNT, 67 firms (17%) had revenue between 300 million and 1.0 billion MNT, 56 firms (14%) had revenue between 50.0 and 300.0 million MNT, and 21 firms (5%) 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	385	96%
Share holding company	11	3%
Other	6	1%
TOTAL	402	100%

Table 1.2: Number of firms /by operating years/

Operating years	number	%
Up to 5 years	18	4%
From 5-10 years	54	13%
From 10 to 15 years	67	17%
From 15 to 20 years	94	23%
More than 20 years	169	42%
TOTAL	402	100%

Table 1.3: Number of firms /by sector/

Sector of economic activities	number	%
Manufacturing (food)	63	16%
Manufacturing (not food)	34	8%
Mining and quarrying	18	4%
Construction	68	17%
Wholesale and retail trade	68	17%
Services	72	18%
Health and social work	21	5%
Real estate	9	2%
Transportation and storage	16	4%
Accommodation and food service activities	14	3%
Information and communication	7	2%
Financial and insurance activities	8	2%
Education services	4	1%
TOTAL	402	100%

Table 1.4: Number of firms /by income/

Income	тоо	хувь
Up to 50 million MNT	21	5%
50-300 million MNT	56	14%
300 million to 1.0 billion MNT	67	17%
1.0-2.5 billion MNT	66	16%
More than 2.5 billion MNT	192	48%
TOTAL	402	100%