MONGOLBANK
CENTRAL BANK OF MONGOLIA

BUSINESS TENDENCY SURVEY

First quarter of 2026

May 2026

I. SUMMARY

Data collection for the "Business Tendency Survey" was conducted in April 2026. A total of 404 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.

- The majority of firms that participated in the survey are limited liability companies operating in the food and non-food manufacturing, services, wholesale, retail trade 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.
- Survey-based inflation expectations are summarized as follows:

Inflation expectations	*By the end of 2026Q2*	*By the end of 2027Q1*
Mean	**8.5%**	**9.3%**
Median	**8.3%**	**9.0%**

- After declining for three consecutive quarters since the first quarter of 2025, inflation expectations increased in the previous quarter. Across sectors, inflation expectations in the construction sector were comparatively elevated, standing at 9.1% for the next quarter and 9.9% for the next 12 months.
- **Economic sentiment indicator:** In the first quarter of 2026, the ESI declined by 12.1 points from the previous quarter to **81.0**, remaining in contractionary territory. The deterioration across all sectoral and consumer indicators suggests a slowdown in economic activity and weaker expectations regarding the economic outlook.
- **Employment expectations indicator:** The EEI declined to **86.3** in the first quarter of 2026, indicating weaker labor market sentiment. Compared with the previous quarter, all sectoral indicators deteriorated, with the manufacturing sector recording a particularly pronounced weakening in employment expectations.
- **Economic uncertainty indicator:** In the first quarter of 2026, the EUI increased by 7.4 points from the previous quarter to **139.9,** reflecting a rise in uncertainty regarding the economic environment. By sectoral breakdown, uncertainty is highest in the retail trade and construction sectors. Compared with the previous quarter, the indicator increased across all sectors except manufacturing.
- Expectations for demand and exports for the next quarter declined compared with the previous quarter and remained in contractionary territory, indicating that expectations of a slowdown in economic activity prevail among enterprises. In particular, a sharp deterioration in the indicator for the retail trade sector was the main contributor to the overall weakening of the index.

II. INFLATION EXPECTATIONS

Enterprises participating in the survey were asked to assess developments in the general price level over the past period and provide their expectations regarding future price developments. Based on these responses, the indices of perceived inflation and inflation expectations were compiled. The results show that the perceived inflation indices for both the past 3 months and the past 12 months increased slightly from the previous quarter. Notably, the perceived inflation index for the past 3 months shifted from the "inflation broadly unchanged" range in the previous quarter to the "inflation increased" range in the current quarter. The perceived inflation index for the past 12 months, meanwhile, remained in the "inflation increased" range. (Figure 1).

Similarly, the indices of inflation expectations for the next 3 months and the next 12 months increased significantly compared with the previous quarter. As a result, both expectations indices moved into the "inflation to increase" range (Figure 2).

Figure 1. Inflation perception index

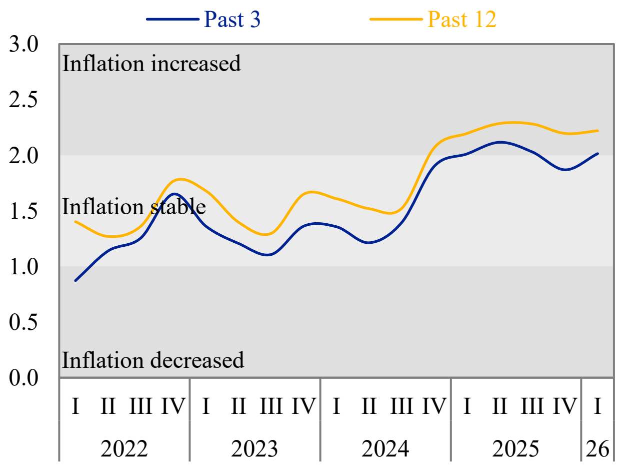
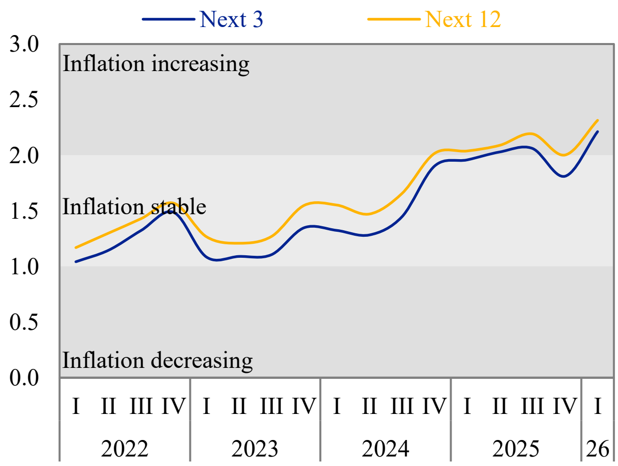


Figure 2. Inflation expectations index



Source: "Business tendency survey report", BOM

Based on enterprises' quantitative responses on inflation expectations for the period ahead, the weighted average inflation expectation for 2026Q2 increased by 1.0 percentage point from the previous quarter to **8.5%.** Meanwhile, the weighted average expectation for 2027Q1 increased by 0.9 percentage points to **9.3%.** The median[1] expectation for 2026Q2 rose by 0.5 percentage points from the previous quarter to **8.3%,** while the median expectation for 2027Q1 increased by 0.5 percentage points to **9.0%** (Figure 3, Figure 4).

After declining for three consecutive quarters during 2025, inflation expectations turned upward in the current quarter. Expectations remained above the target level across both short and long term horizons, indicating that risks of inflationary pressures may increase going forward.

[1]The distribution and median values of numerical expectations were calculated applying Nicholas J. Cox (2009) methodologies of the 'Mid-Distribution Function' and 'Symmetric Linear Interpolation Median'.

Figure 3. Inflation Expectations: Mean and Median (next 3 months)

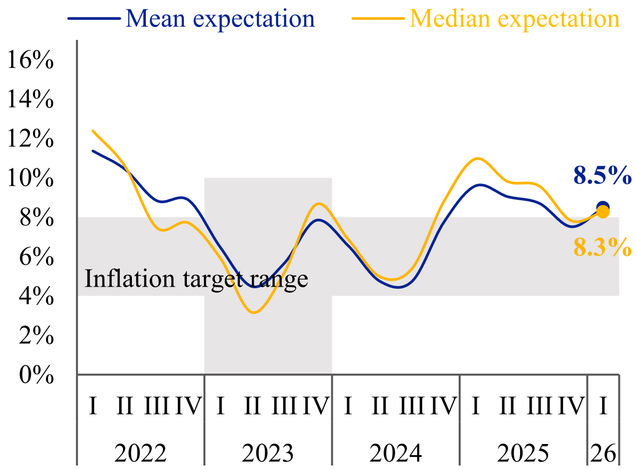
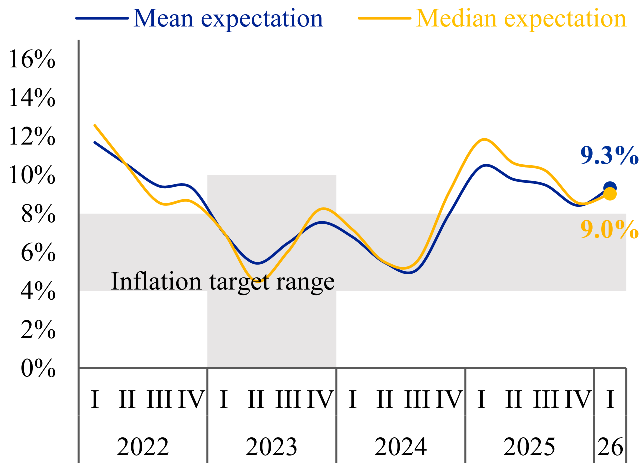


Figure 4. Inflation Expectations: Mean and Median (next 12 months)



Source: "Business tendency survey report", BOM

The distribution of inflation expectations for the next 3 months shows that, while enterprises' expectations in 2025Q4 were mainly concentrated in the 7–9% range, the peak of the distribution shifted towards 7% in the 2026Q1 survey. At the same time, the lower frequency of responses at the 9% level suggests that perceptions of short-term inflationary pressures eased slightly from the previous quarter. The distribution also became relatively more concentrated, indicating reduced dispersion across enterprises' expectations and lower uncertainty (Figure 5).

A similar change was observed in the distribution of inflation expectations for the next 12 months. In 2025Q4, the peak of the distribution was concentrated at 9%, while higher expectations in the 11–13% range were relatively common. In 2026Q1, the distribution became more concentrated around 7%, and the frequency of responses in the 9–11% range declined noticeably. However, the frequency of expectations above 11% also increased, indicating a rise in uncertainty around longer-term inflation expectations (Figure 6).

Figure 5. Distribution of Quantitative Inflation Expectations, next 3 months

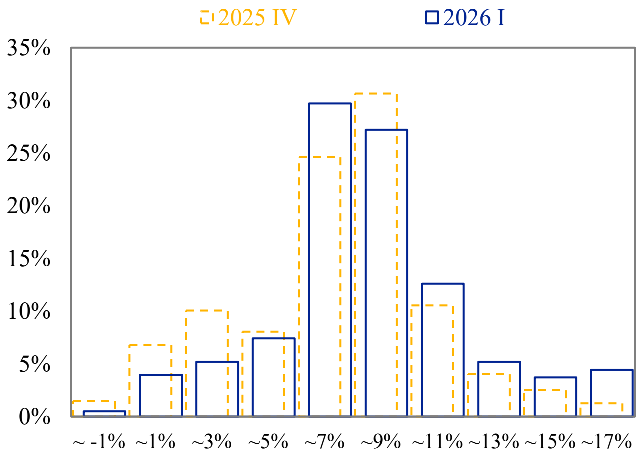
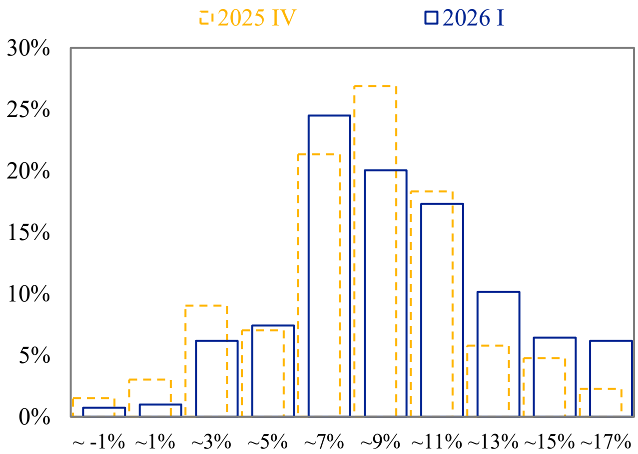


Figure 6. Distribution of Quantitative Inflation Expectations, next 12 months



Source: "Business tendency survey report", BOM

By sector, enterprises' inflation expectations for the next 3 months declined from early 2022 and reached their lowest level in 2024Q3. Since then, expectations have risen across all sectors and remained above the target level in 2026Q1. The construction sector recorded the highest expectation at 9.1%, followed by retail trade at 8.6%, manufacturing at 8.4%, and services at 8.1%. These results suggest that short-term price pressures remain elevated across all sectors, with the strongest cost pressures in construction (Figure 7).

Inflation expectations for the next 12 months showed a similar pattern, increasing after reaching their lowest level in 2024Q3. In 2026Q1, expectations were the highest in the construction sector at 9.9%, followed by manufacturing at 9.5%, retail trade at 9.1%, and services at 9.0%. Longer-term expectations are higher than short-term expectations across all sectors, indicating that enterprises expect inflationary pressures to persist going forward. (Figure 8).

Figure 7. Inflation Expectations by sector (next 3 months)

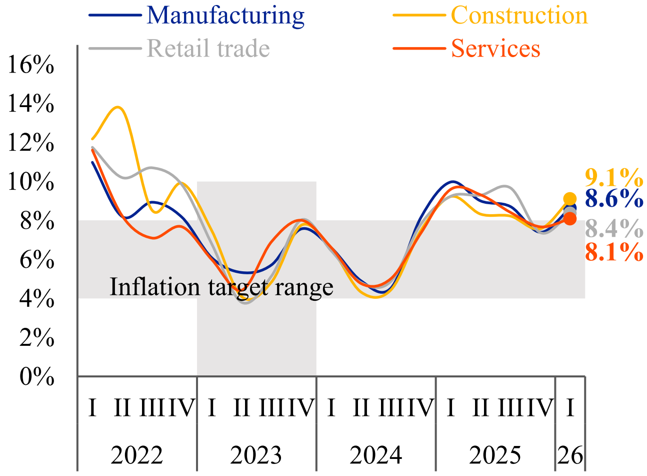
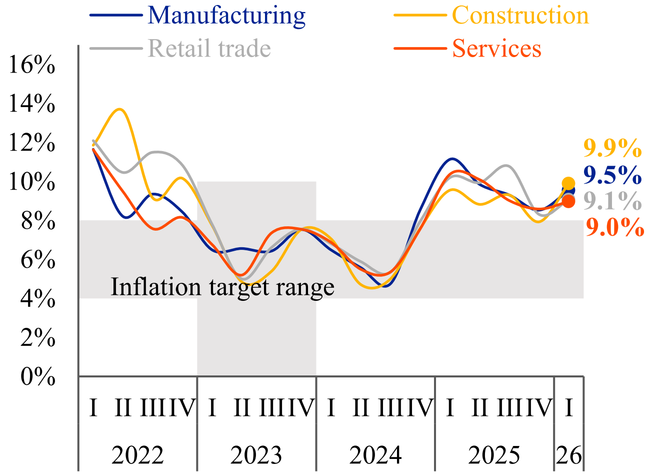


Figure 8. Inflation Expectations by sector (next 12 months)



Source: "Business tendency survey report", BOM

By firm size[2], inflation expectations for both the next 3 months and the next 12 months declined from 2022 and reached their lowest level in 2024Q3. Since then, they have risen again and remained above the target level in 2026Q1. For the next 3 months, micro enterprises reported the highest inflation expectation at 9.3%, followed by small enterprises at 8.8%, medium-sized enterprises at 8.3%, and large enterprises at 7.5% (Figure 9). Over the next 12 months, micro enterprises again reported the highest expectation at 9.9%, while small and medium-sized enterprises recorded expectations of around 9%. Large enterprises reported a lower expectation of 8.6% (Figure 10).

These results suggest that micro and small enterprises are more sensitive to inflationary pressures, possibly due to their greater exposure to changes in costs, revenues, and prices. In contrast, the relatively lower inflation expectations of large enterprises may reflect their greater capacity to adjust to changes in economic conditions. Overall, inflation expectations remained above the target level across all firm sizes, indicating that expectations of continued inflationary pressures persist.

[2] *Firm size is classified based on the sales revenue thresholds specified in the "Law on Supporting Small and Medium-sized Enterprises and Services". Micro enterprises refer to firms with annual sales revenue of up to MNT 300 million, small enterprises to those with revenue of MNT 300 million–1.0 billion, medium-sized enterprises to those with revenue of MNT 1.0–2.5 billion, and large enterprises to those with revenue above MNT 2.5 billion.*

Figure 9. Inflation Expectations by firm size (next 3 months)

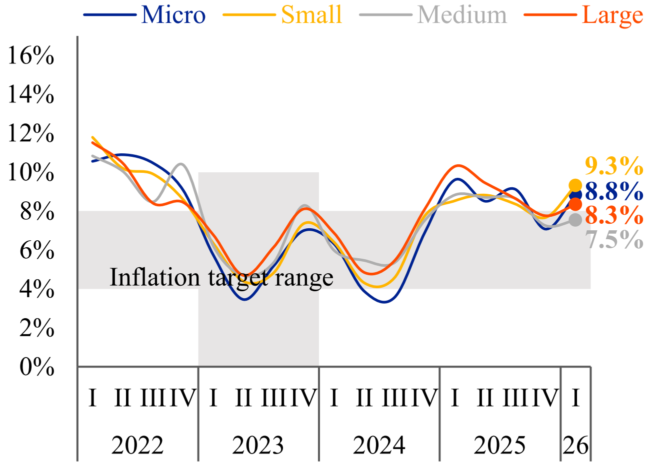
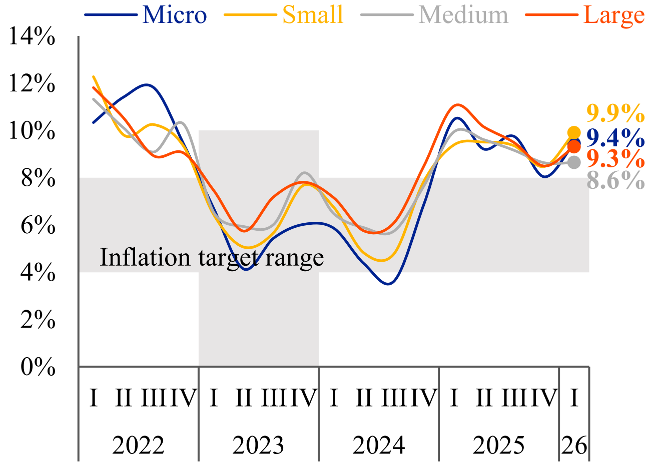


Figure 10. Inflation Expectations by firm size (next 12 months)



Source: "Business tendency survey report", BOM

By operating years, inflation expectations for the next 3 months stood at 11–12% at the beginning of 2022, before declining to 4–5% across all groups in 2023Q2. From early 2025, expectations began to increase again and reached 8.3–8.5% as of 2026Q1, standing at broadly similar levels across all groups (Figure 11). Inflation expectations for the next 12 months followed a similar pattern. After declining to around 5% in 2024Q3, expectations increased to 9.1–9.5% in 2026Q1, indicating increased inflationary pressures across all groups (Figure 12).

Figure 11. Inflation Expectations by operating years (next 3 months)

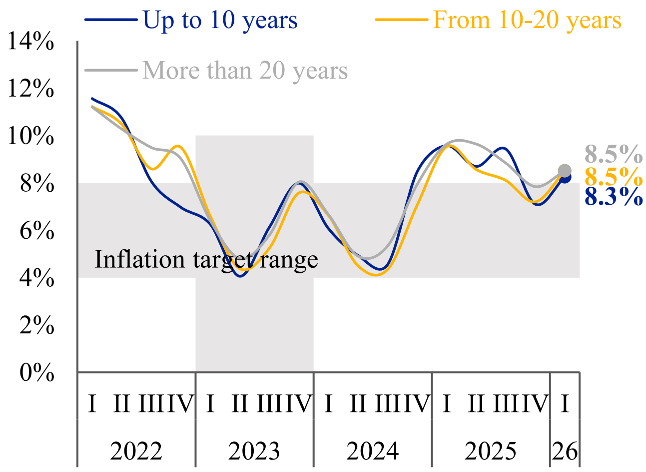
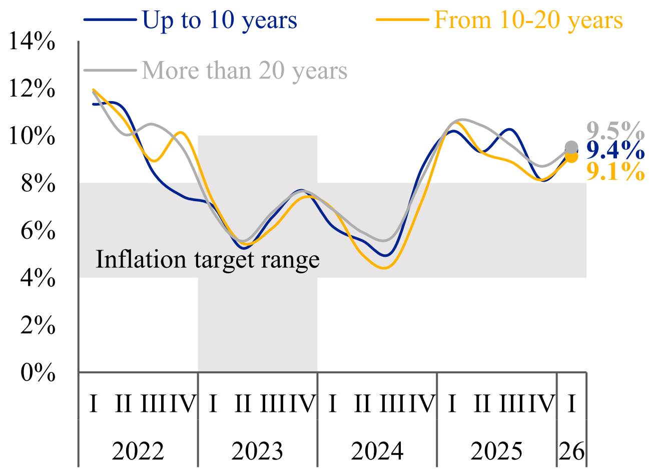


Figure 12. Inflation Expectations by operating years (next 12 months)



Source: "Business tendency survey report", BOM

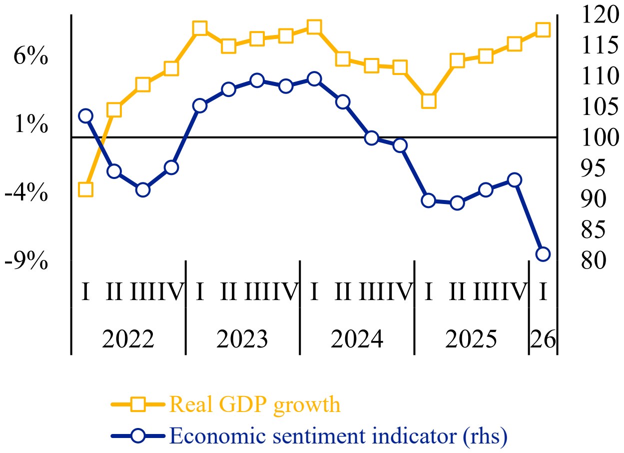
III. BUSINESS PERFORMANCE INDICATORS

Economic sentiment indicator (ESI)

Mongolia's Economic Sentiment Indicator (ESI) declined by 12.1 points from the previous quarter to **81.0** in 2026Q1, remaining in contractionary territory (Figure 13). This was the weakest reading in the past four years. Across the main sectors, all indices remained below 100 — that is, in contractionary territory — namely consumers (96.1), construction (78.6), services (78.2), manufacturing (76.9), and retail trade (72.3).

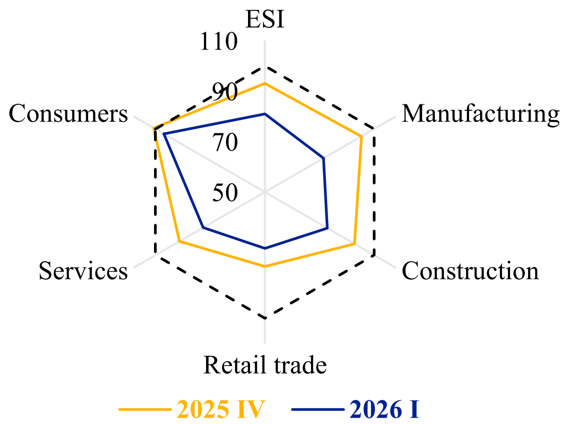
Compared with the previous quarter, the indicator deteriorated across all sectors. The largest decline was observed in manufacturing (-17.3 points), followed by construction (-12.5 points), services (-10.8 points), retail trade (-7.2 points), and consumers (-4.6 points) (Figure 14). Overall, the results indicate a slowdown in economic activity and continued weakness in enterprises' and consumers' assessments of the economic outlook.

Figure 13. Economic Sentiment Indicator



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 14. Economic Sentiment Indicator by sectors



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%.

Source: "Business tendency survey report", BOM

Employment Expectations Indicator (EEI)

Comparing the Employment Expectations Indicator with the actual employment, both expectations and actual outcomes broadly followed an upward trend from early 2022 to 2025Q2, reaching their highest levels during this period. Since then, both indicators have weakened. In 2026Q1, the expectations indicator declined to **86.3**, while the actual employment stood below the expectation recorded in the previous quarter (Figure 15). This may indicate that enterprises' expectations regarding labour market conditions have weakened, and that actual employment outcomes fell short of expectations.

By sector, the index declined across all sectors in 2026Q1 compared with the previous quarter. In particular, expectations in the manufacturing sector fell sharply, with the previously elevated indicators weakening noticeably (Figure 16).

Figure 15. Employment Expectations Indicator

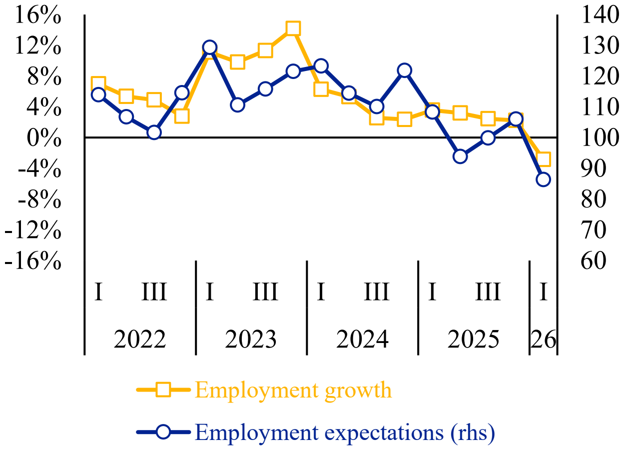
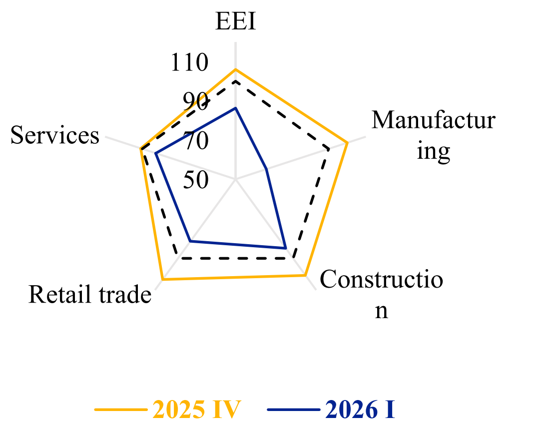


Figure 16. Employment Expectations Indicator by sector



Source: "Business tendency survey report", BOM

Economic Uncertainty Indicator (EUI)

The Economic Uncertainty Indicator, calculated based on enterprises' and consumers' assessments of economic uncertainty in Mongolia, increased by 7.4 points from the previous quarter to **139.9** in 2026Q1 (Figure 17). This indicates that uncertainty surrounding the economic environment has increased, while confidence in the outlook has weakened.

By sector, the EUI was highest in retail trade at 158.5, followed by consumers at 154.5, construction at 152.4, services at 141.7, and manufacturing at 127.4. Compared with the previous quarter, the indicator increased in all sectors except manufacturing, suggesting that perceived risks and uncertainty regarding economic conditions increased across most sectors. (Figure 18).

Figure 17. Economic Uncertainty Indicator

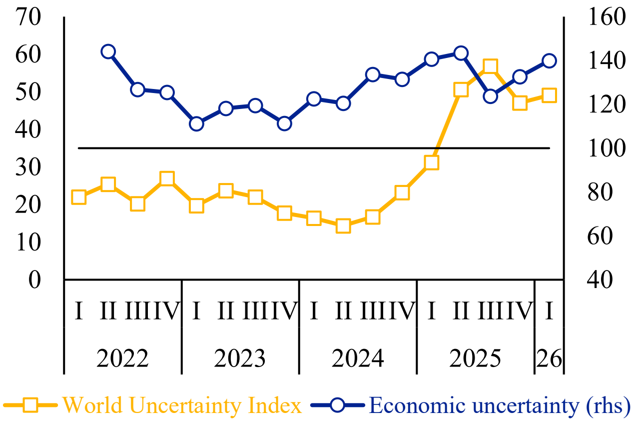
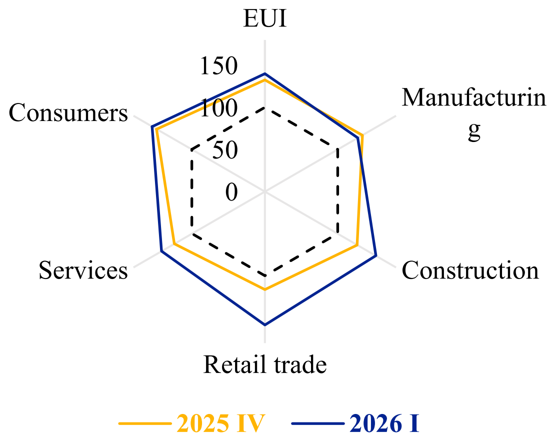


Figure 18. Economic Uncertainty Indicator by sector



Source: "Business tendency survey report", BOM

IV. OTHER EXPECTATIONS

Expectations for demand in the next quarter declined by 15.1 points from the previous quarter to 89.7, moving into contractionary territory across all sectors. The indicator returned to contractionary territory after one quarter, suggesting that expectations of a noticeable weakening in demand for the period ahead prevailed among enterprises (Figure 19). Expectations for exports in the next quarter also decreased by 1.4 points from the previous quarter to 96.7, remaining in contractionary territory. At the sectoral level, the largest decline was observed in retail trade, which contributed mainly to the weakening of the overall indicator (Figure 20).

On the other hand, expectations related to cost pressures increased sharply. Expectations for labor costs in the next quarter increased by 11.1 points from the previous quarter to 159.8, remaining at an elevated level, with stronger increases observed in construction, manufacturing, and retail trade. (Figure 21). In addition, the expectations for unit production cost increased by 25.5 points from the previous quarter to 179.2, indicating a sharp rise in underlying cost pressures across all sectors (Figure 22).

Exchange rate expectation for the next quarter increased by 18.9 points from the previous quarter to 157.0, remaining within the range of MNT depreciation. Meanwhile, lending rate expectations reversed the declining trend observed over the previous three quarters, rising by 17.5 points to 135.3 and remaining within the range indicating expectations of higher lending rates (Figure 23, Figure 24). Overall, while demand expecations weakened, expectations related to costs, exchange rates, and financing pressures increased sharply. Most indicators reached their weakest levels in the past four years, serving as a warning signal that risks in the economic environment are increasing.

Figure 19. Demand expectations

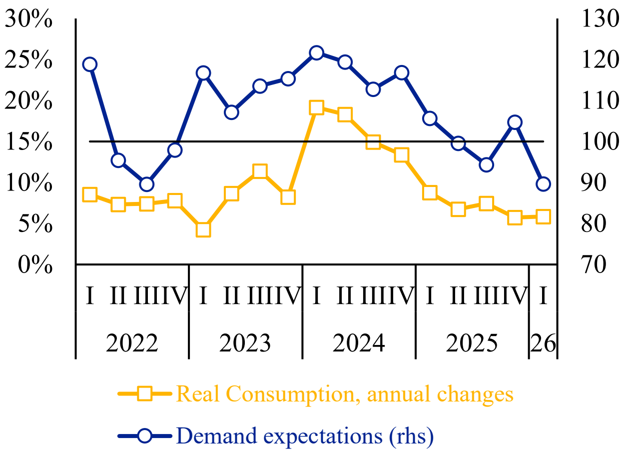


Figure 20. Export expectations

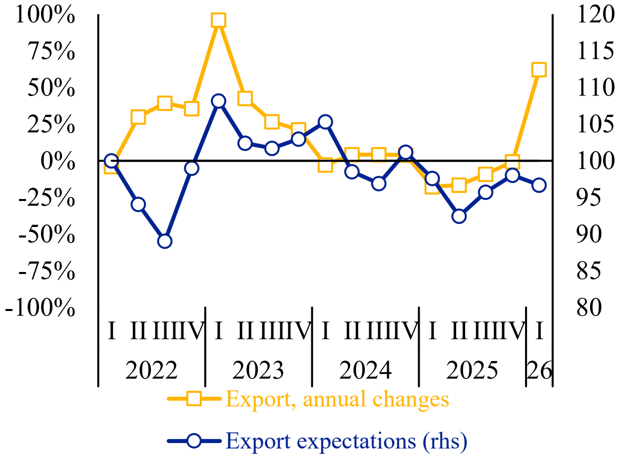


Figure 21. Labor cost expectations

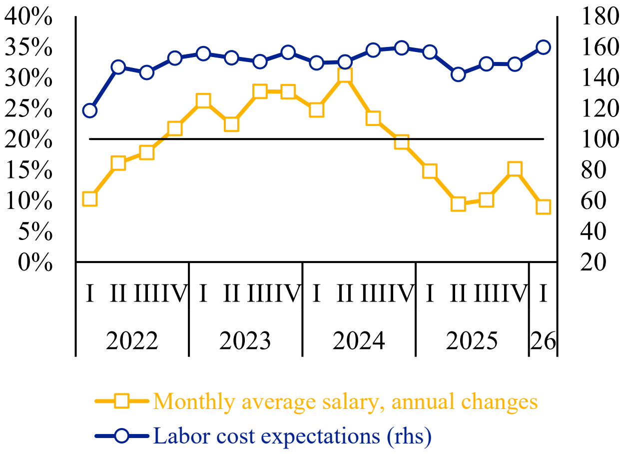


Figure 22. Cost per unit expectations

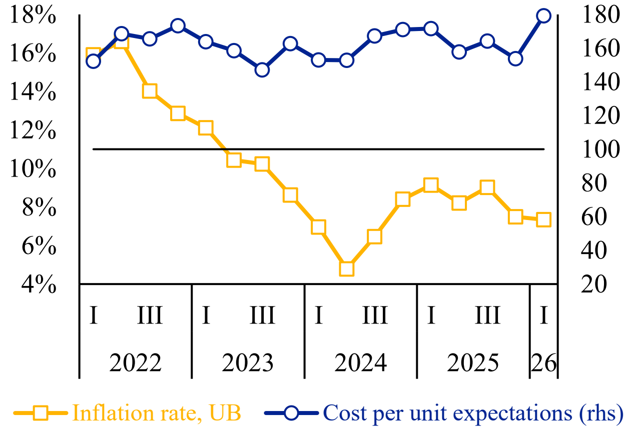


Figure 23. Exchange rate expectations

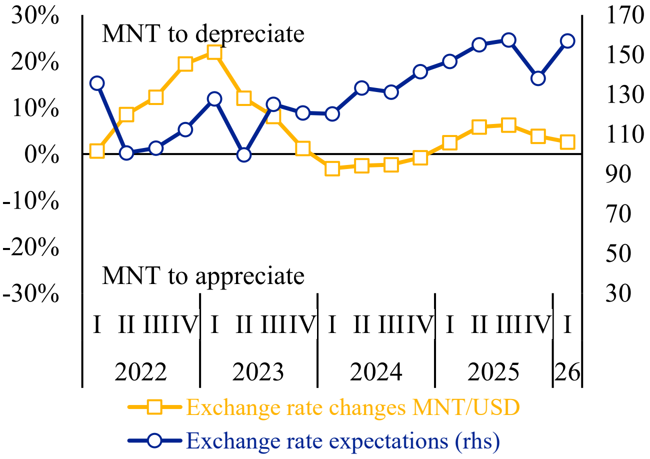
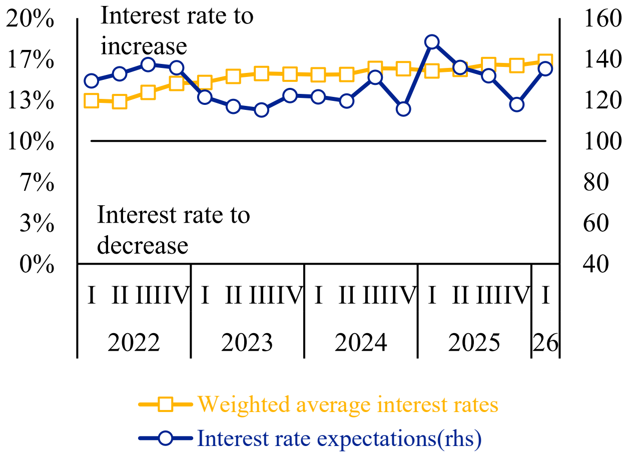


Figure 24. Loan rate expectations



Source: "Business tendency survey report", BOM

V. APPENDIX 1: General information on enterprises

The survey was conducted in April 2026 and covered a total of 404 enterprises. In terms of ownership structure, 377 (93%) were limited liability companies (LLCs), 17 (4%) were joint-stock companies (JSCs), and the remaining 10 (2%) were enterprises with other forms of ownership (Table 1).

Private enterprises accounted for the majority of the respondents. In terms of years in operation, 44% of surveyed firms had been in business for over 20 years, 26% for 15-20 years, 15% for 10-15 years, 12% for 5-10 years (Table 2). By main sectors, the survey covered 138 enterprises in manufacturing and 138 enterprises in services, each accounting for 34% of total respondents. Retail trade accounted for 65 enterprises (16%), while construction accounted for 63 enterprises (16%) (Table 3).

In terms of annual sales revenue, 187 firms (46%) reported sales revenue exceeding MNT 2.5 billion, 67 firms (17%) reported revenue between MNT 1.0 billion and 2.5 billion, 69 firms (17%) reported revenue between MNT 300 million and 1.0 billion, 61 firms (15%) reported revenue between MNT 50.0 million and 300.0 million, and 20 firms (5%) reported revenue of less than MNT 50 million. (Table 4).

By number of employees, 153 firms (38%) had 1–9 employees and 153 firms (38%) had 10–49 employees. In addition, 63 firms (16%) had 50–200 employees, while 35 firms (9%) had more than 200 employees (Table 5).

Table 1. Number of firms by ownership type

Ownership	number	%
LLC	377	93%
JSC	17	4%
Others	10	2%
Total	**404**	**100%**

Table 2. Number of firms by operating years

Operating years	number	%
Up to 5 years	14	3%
5-10 years	48	12%
10-15 years	59	15%
15-20 years	104	26%
More than 20 years	179	44%
Total	**404**	**100%**

Table 3. Number of firms by main sectors

Main sector	number	%
Manufacturing	138	34%
Construction	63	16%
Retail trade	65	16%
Services	138	34%
Total	**404**	**100%**

Table 4. Number of firms by annual income

Annual income	number	%
Up to 50 million	20	5%
50-300 million	61	15%
300 million - 1.0 billion	69	17%
1.0-2.5 billion	67	17%
More than 2.5 billion	187	46%
Total	**404**	**100%**

Table 5. Number of firms by number of employees

Number of employees	number	%
1-9	153	38%
10-49	153	38%
50-200	63	16%
More than 200	35	9%
Total	**404**	**100%**

Table 6. Number of firms by size

Size	number	%
Micro	81	20%
Small	69	17%
Medium	67	17%
Large	187	46%
Total	**404**	**100%**

VI. APPENDIX 2: Methodological notes

Economic sentiment indicator (ESI)

The Economic Sentiment Indicator (ESI) is calculated using the methodology outlined in the European Commission's "*European Business Cycle Indicators"* report. The indicator is a weighted average of selected survey questions from enterprise and consumer surveys covering five main sectors: manufacturing 40%, services 30%, consumers 20%, retail trade 5%, and construction 5%. The selected questions include **new orders** in the current quarter, **inventory levels** of finished products, and **production expectations** for the next quarter in manufacturing; **new orders** in the current quarter and **employment expectations** for the next quarter in construction; **sales** in the current quarter, **inventory levels** of goods for resale, and **sales expectations** for the next quarter in retail trade; the **business situation**, **new orders**, and **sales expectations** for the next quarter in services; and consumers' **financial situation** in the current quarter, **financial situation expectations** for the next quarter, **consumption**, and **economic conditions.** For each question, the balance is calculated as the difference between the shares of positive and negative responses in total responses.

Employment expectations indicator (EEI)

The indicator is calculated using the methodology outlined in the European Commission's "*European Business Cycle Indicators"* report. The Employment Expectations Indicator is calculated as the weighted average of expectations reported by enterprises in four main sectors covered by the survey: manufacturing with a weight of 23%, construction 8%, retail trade 18%, and services 51%. Enterprises were asked about their expectations regarding changes in employment for the next quarter. The indicator is calculated based on the balance of positive and negative responses to four response options: "*Increased*", "*Decreased*", "*Don't know*", and "*Remained unchanged*".

Economic uncertainty indicator (EUI)

The indicator is calculated using the methodology outlined in the European Commission's "*European Business Cycle Indicators"* report. The Economic Uncertainty Indicator is calculated as the weighted average of responses from five main sectors covered by the enterprise and consumer sample surveys: manufacturing with a weight of 40%, services 30%, consumers 20%, retail trade 5%, and construction 5%. Respondents were asked about changes in uncertainty over the previous quarter. The indicator is calculated based on the balance of positive and negative responses to four response options: "*Increased*", "*Decreased*", "*Don't know*", and "*Remained unchanged*".

Calculating median (Symmetric Linear Interpolated Median)

The distribution and median values of numerical expectations were calculated applying Nicholas J. Cox (2009) methodologies of the 'Mid-Distribution Function' and 'Symmetric Linear Interpolation Median'. As the expectation values are calculated with reference to the Consumer Price Index (CPI), they reflect the general direction of price developments and should not be interpreted as direct measures of inflation.