

Business Tendency Survey (First Quarter of 2025)

Summary:

The data collection for the “Business Tendency Survey” was conducted between April 16 and 22, 2025. A total of 387 firms representing all 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

Inflation expectations	by the end of 2025Q2	by the end of 2026Q1
Perception-based	12.2%	14.0%
Qualitative responses	11.4%	12.4%
Quantitative responses	9.6%	10.4%

- **The Economic Sentiment Index** declined by 9.0 points from the previous quarter to 89.7, falling below its long-term average. The decline was primarily driven by weaker sales revenue expectations in the domestic trade and services sectors, along with a more pessimistic outlook in the construction sector for the next three months.
- **The Employment Expectations Index** stood at 108, remaining above the neutral level of 100, indicating that businesses expect to increase their workforce in the next quarter. However, the index declined by 13.3 points compared to the previous quarter, suggesting a slowdown in employment growth. This drop was mainly driven by lower employment expectations in the manufacturing, domestic trade, and services sectors.
- **The Economic Uncertainty Index** rose by 9.1 points to 141, with all sectors showing an increase compared to the previous quarter. This rise reflects growing concerns among businesses regarding the overall economic outlook.

I. BUSINESS INFLATION EXPECTATIONS

In the reporting quarter, the index for the three-month inflation expectations remained relatively unchanged from the previous quarter. Meanwhile, the 12-month inflation expectations index shifted into the “Inflation Increasing” range, indicating that inflation expectations remain elevated (Figure 1.1).

In the reporting quarter, inflation expectations for the next three and twelve months increased across all measures. For the next three months, the perceived inflation rate rose by 1.7 percentage points from the previous quarter to 12.2%. Expectations based on qualitative responses increased by 1.9 percentage points to 11.4%, while quantitative expectations stood at 9.6%, up by 1.8 percentage points. For the next twelve months, the perceived inflation rate increased by 3.1 percentage points to 14.0%, qualitative expectations rose by 1.8 percentage points to 12.4%, and quantitative expectations reached 10.4%, reflecting a 2.4 percentage point increase (Figure 1.2).

Figure 1.1: Inflation Expectation

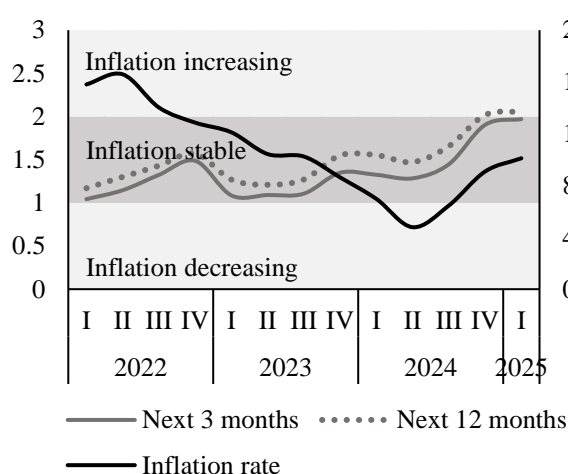
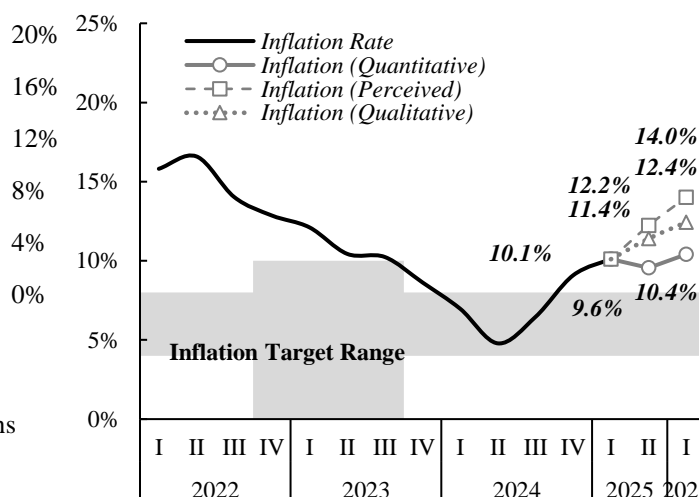
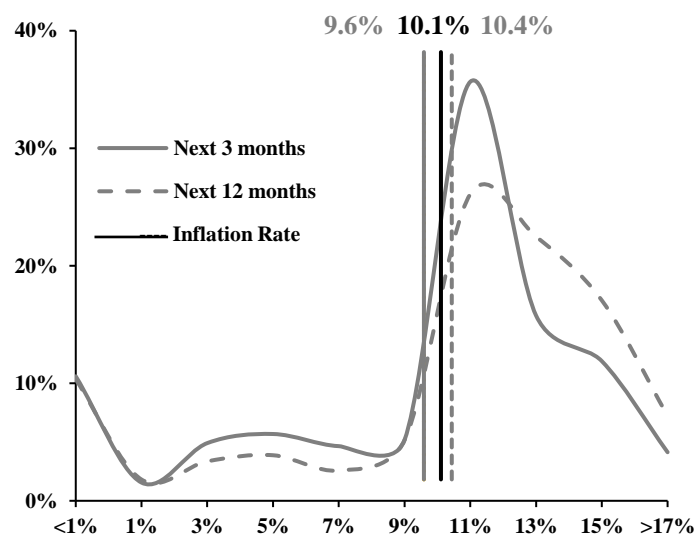


Figure 1.2: Inflation Expectation, next 3-12 months



By averaging the values within each interval based on the weighted responses, the expected inflation rate for the next three months is calculated to be 9.6%, while for the next 12 months, the expected inflation rate is 10.4% (Figure 1.3).

Figure 1.3: Distribution of Inflation Expectations, Quantitative Responses



II. BUSINESS PERFORMANCE INDICATORS

Economic Sentiment Index ESI¹

Mongolia's Economic Sentiment Index declined by 9.0 points from the previous quarter to 89.7 in the first quarter of 2025, shifting from the neutral range into contractionary territory. This decline was primarily driven by weaker sales revenue expectations in the domestic trade and services sectors, along with a more pessimistic outlook in the construction sector for the next three months (Figure 2.1).

As shown in the radar chart, sentiment declined across all sectors in the first quarter of 2025. Construction (98.1), industry (90.7), services (82.8), and retail trade (80.9) fell into the contractionary range, while consumer sentiment remained slightly above the neutral threshold at 101.7. Compared to the previous quarter, the indices decreased in all sectors: services by 22.1 points, retail trade by 11.4 points, construction by 9.2 points, consumer by 1.8 points, and industry by 0.6 points (Figure 2.2).

Figure 2.1: Economic Sentiment Index

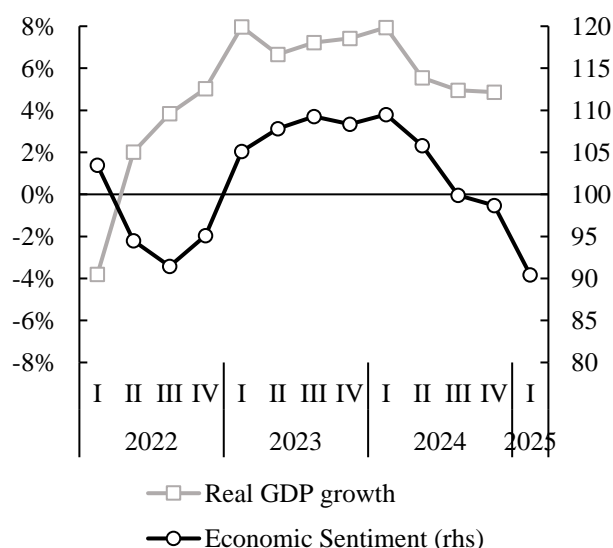
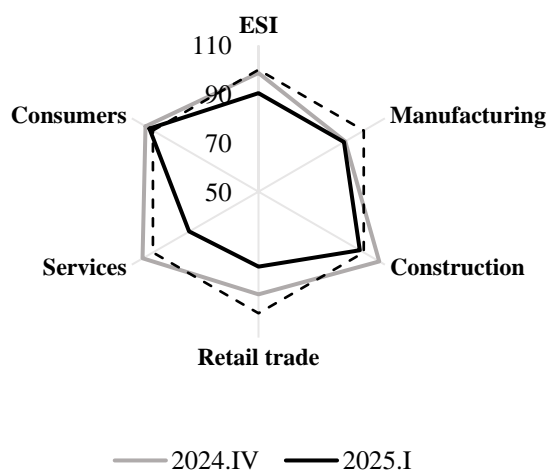


Figure 2.2: Economic Sentiment Index, by sector



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 in economic conditions.

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 for the reporting quarter stood at 108, indicating expectations for an increase in the number of employees in the next quarter. However, it decreased by 13.3 points compared to the previous quarter, signaling a potential slowdown in growth. The decline was primarily driven by a decrease in employment expectations in the manufacturing, services, and domestic trade sectors (Figure 2.3).

As shown in the chart, in the reporting quarter employment expectations decreased in the manufacturing sector, moving into the contractionary range, while other sectors remained in the expansionary range. The index values were 121.3 for construction, 111.9 for retail trade, 110.6 for services, and 95.2 for manufacturing. Compared to the previous quarter, employment expectations declined in all sectors: manufacturing by 27.8 points, services by 11.5 points, retail trade by 7.0 points, and construction by 1.4 points (Figure 2.4).

Figure 2.3: Employment Expectation Index

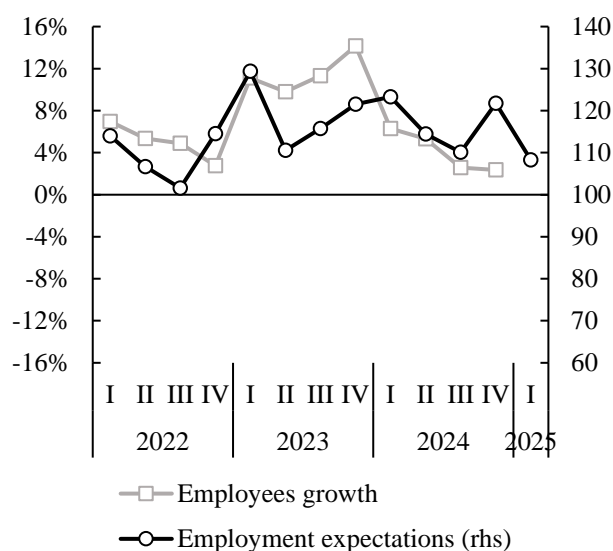
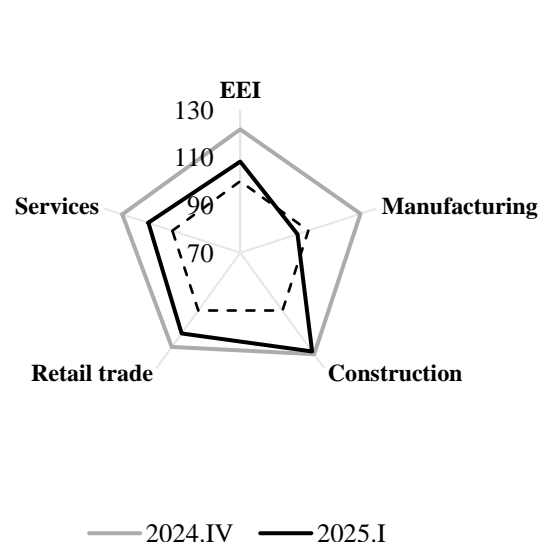


Figure 2.4: Economic Employment Index, by sector



Economics Uncertainty Index (EUI)³

In the first quarter of 2025, the economic uncertainty index, calculated from business responses, increased by 9.1 points from the previous quarter to 141, indicating heightened uncertainty in the domestic economy (Figure 2.5). Similarly, global economic uncertainty also rose during the same period. According to the International Monetary Fund's World Economic Outlook report, global trade tariffs have reached their highest levels in a century, significantly contributing to the rise in uncertainty. Additionally, ongoing geopolitical tensions and the adoption of protectionist measures pose potential risks to long-term economic growth and the resilience of global supply chains.

As shown in the chart, in the reporting quarter the economic uncertainty indicator was highest for consumers and lowest for the construction sector. The indices were 155.6 for consumers, 147.7 for manufacturing, 127.4 for services, 122.4 for retail trade, and 121.3 for construction. Compared to the previous quarter, the indices increased in all sectors except for consumers: manufacturing by

² Economic Employment Index

³ Economic Uncertainty Index

16.7 points, retail trade by 15.6 points, construction by 11.9 points, services by 8.8 points, while the consumer index decreased by 8.0 points (Figure 2.6).

Figure 2.5: Economic Uncertainty Index

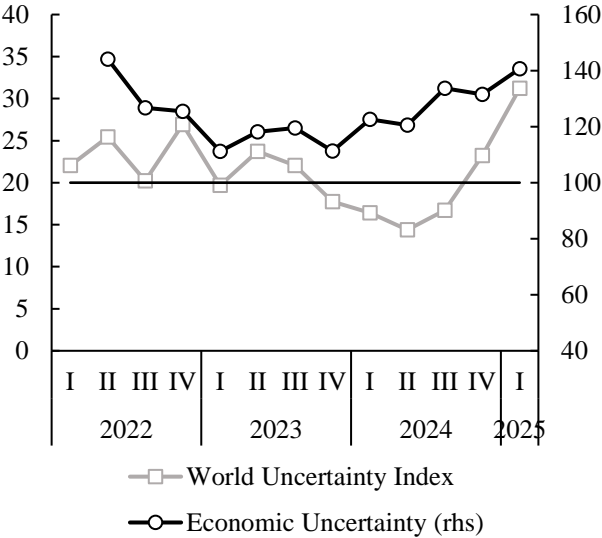
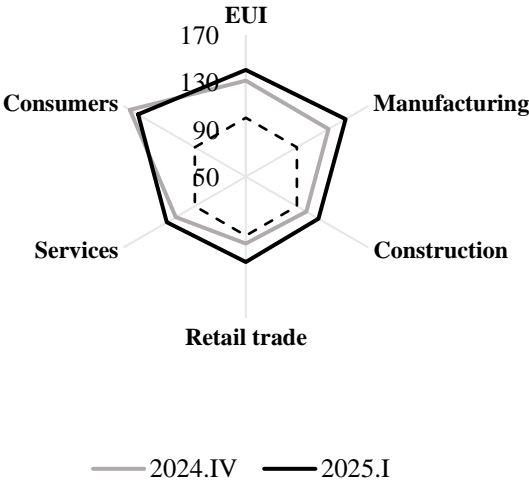


Figure 2.6: Economic Uncertainty Index, by sector



Other Expectations

In the reporting quarter, demand and export expectations decreased by 11.2 and 3.6 points respectively from the previous quarter, remaining close to the neutral range of 100. As for the sectors, expectations declined mainly in construction, services, retail trade, and consumers, while manufacturing expectations increased slightly (Figure 2.7-Figure 2.8).

In the reporting quarter, the index for expectations of loan interest rates, exchange rates, and unit production costs increased, ranging from 146 to 148 points. At the sector level, interest rate and exchange rate expectations in the services and retail trade sectors declined, while expectations in other sectors increased. Loan interest rate expectations rose across all sectors, reaching 148 points, the highest level recorded since 2022 (Figure 2.9;Figure 2.10;Figure 2.11).

In the reporting quarter, the index for labor cost expectations decreased by 2.8 points from the previous quarter, registering at 126 points. At the sector level, labor cost expectations increased slightly in the consumer and construction sectors, while expectations declined slightly in the manufacturing, services, and retail trade sectors (Figure 2.12).

Figure 2.7: Demand Expectations

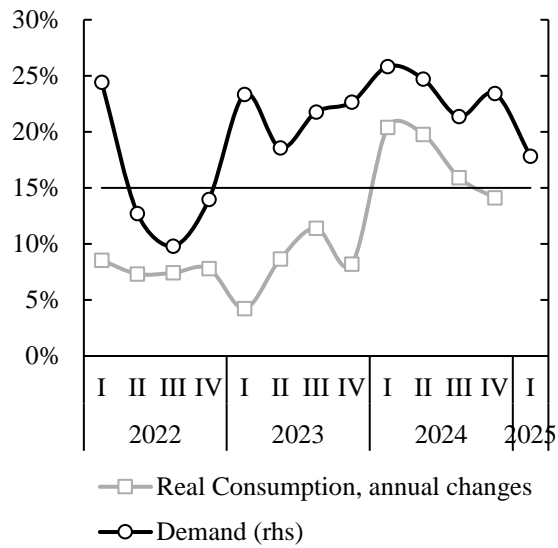


Figure 2.8: Export Expectations

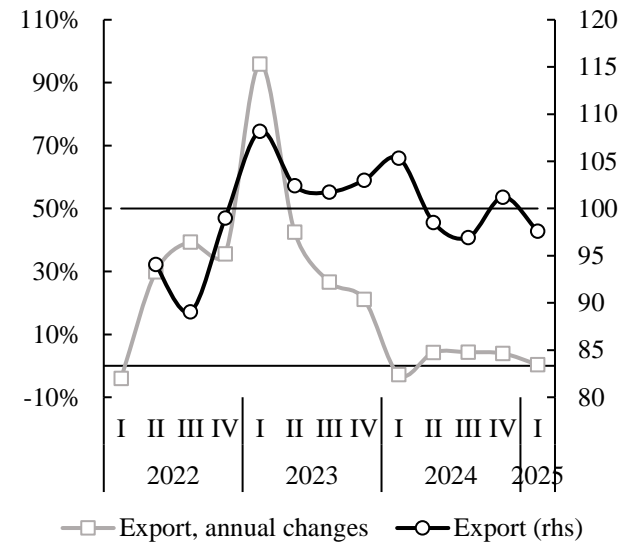


Figure 2.9: Loan Rate Expectations

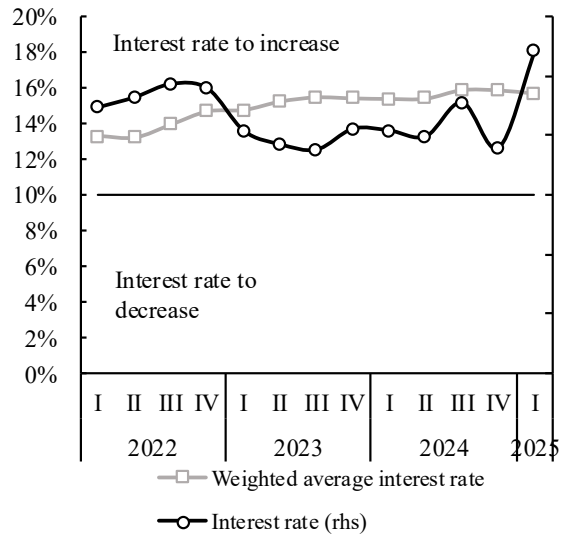


Figure 2.10: Exchange Rate Expectations

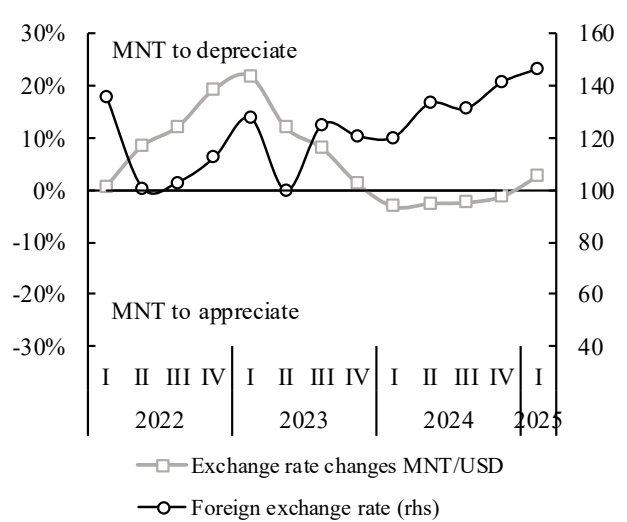


Figure 2.11: Cost per Unit Expectations

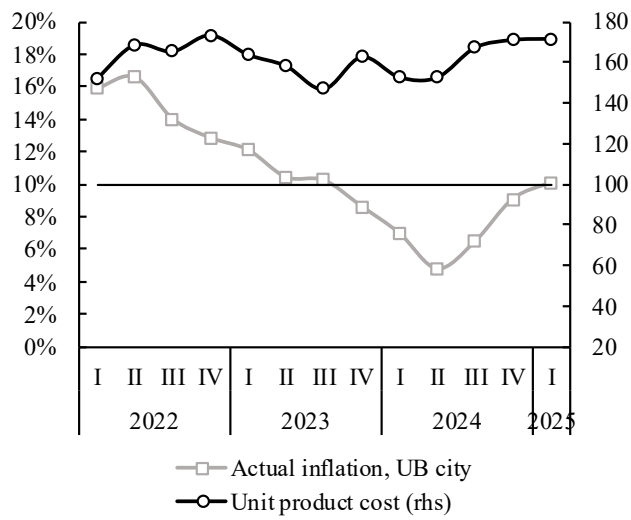
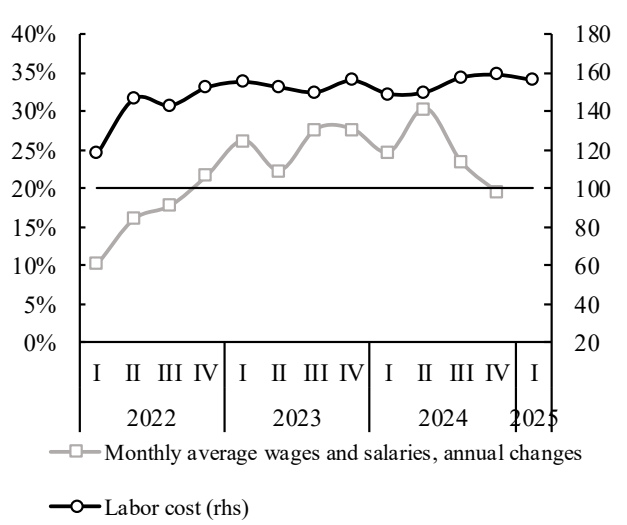


Figure 2.12: Labor Cost Expectations



III. APPENDIX

The survey was conducted in April 2025, involving a total of 387 business firms. In terms of ownership structure, 361 (93%) were limited liability companies (LLCs), 15 (4%) were joint-stock companies (JSCs), and the remaining 11 (3%) were other forms of business ownership (Table 1.1).

The survey predominantly involved private sector business firms, with 48% of firms operating for over 20 years, 16% for 15-20 years, 17% for 10-15 years, 16% for 5-10 years, and 3% for 5 years or less (Table 1.2).

By economic sector, 67 firms (17%) were engaged in wholesale and retail trade, 89 (23%) in food processing, 80 (21%) in construction, 31 (8%) in non-food manufacturing, and 98 (25%) in services (Table 1.3).

Based on annual sales revenue, 182 firms (47%) had revenue exceeding 2.5 billion MNT, 70 firms (18%) had revenue between 1.0 billion and 2.5 billion MNT, 72 firms (19%) had revenue between 300 million and 1.0 billion MNT, and 44 firms (11%) had revenue between 50.0 and 300.0 million MNT (Table 1.4).

Regarding the regular participation of firms in the survey, 116 (30%) participated in the past four quarters, 145 (38%) in the previous quarter, and 126 (33%) were new participants.

Table 1.1 Number of firms /by ownership type/

Types of a firm	number	%
Limited liability company	361	93%
Share holding company	15	4%
Other	11	3%
TOTAL	387	100%

Table 1.2: Number of firms /by operating years/

Operating years	number	%
Up to 5 years	13	3%
From 5-10 years	60	16%
From 10 to 15 years	67	17%
From 15 to 20 years	61	16%
More than 20 years	186	48%
TOTAL	387	100%

Table 1.3: Number of firms /by sector/

Sector of economic activities	number	%
Mining and quarrying	9	2%
Manufacturing (food)	89	23%
Manufacturing (not food)	31	8%
Construction	80	21%
Wholesale and retail trade	67	17%
Real Estate	10	3%
Transportation and storage	14	4%
Accommodation and food service activities	11	3%
Information and communication	10	3%
Financial and insurance activities	17	4%
Administrative and support service activities	21	5%
Education services	6	2%
Health and social work	9	2%
Other	13	3%
TOTAL	387	100%

Table 1.4: Number of firms /by income/

Income	TOO	ХҮББ
Up to 50 million MNT	19	5%
50-300 million MNT	44	11%
300 million to 1.0 billion MNT	72	19%
1.0-2.5 billion MNT	70	18%
More than 2.5 billion MNT	182	47%
TOTAL	387	100%