

SECTORAL MARKET REVIEW

Enterprises Survey Results in the Real Sector of the Economy

**(Sectors: Mining, Manufacturing, Construction, Trade, Transportation and Warehousing,
Agriculture)**

Q2 2021



**Monetary Policy Department
National Bank of Kazakhstan**

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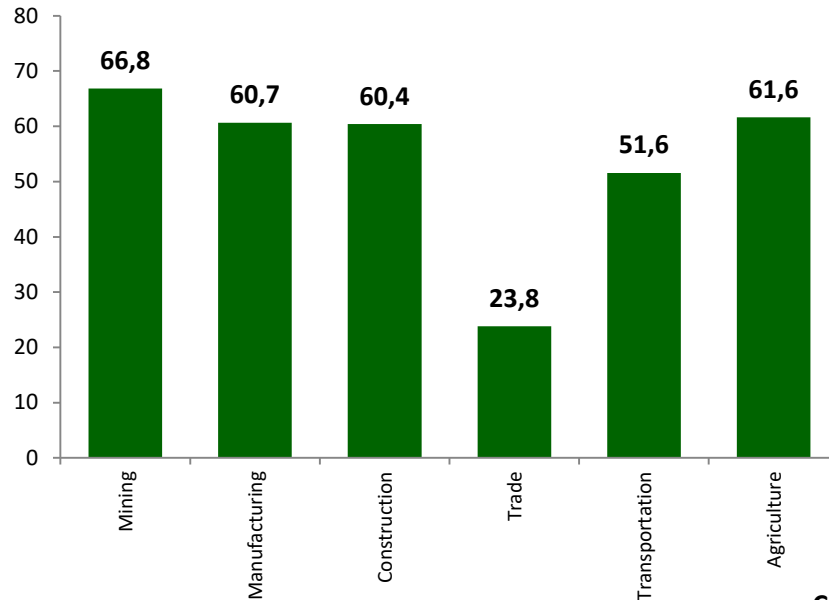
Survey details

The purpose of the survey	➤ Identification of the main trends in the business environment in industries
Respondents	➤ Heads of enterprises, employees of financial departments
Survey method	➤ Questionnaire
Period of the survey	➤ 2Q 2021
Total monitoring participants	➤ 3308

Sample details

Mining enterprises	➤ 199
Manufacturing enterprises	➤ 699
Construction enterprises	➤ 346
Trade enterprises	➤ 932
Transport and warehouse enterprises	➤ 254
Agricultural enterprises	➤ 198
Total respondents for the sample	➤ 2 628

Chart 1. Share of large and medium-sized enterprises, %



In Q2 of 2021, the importance of competition has increased for mining, manufacturing and agriculture and decreased for **trade, transport and warehousing and construction** industries.

Trade remains the most affected industry by market competition, with **40,1%** of enterprises feeling the impact of market competition on their business. The share of enterprises in **manufacturing** reaches **31,6%**, in **transport and warehousing** – **25,6%**, in **construction** – **24,9%**. The smallest share is in **agriculture** and **mining** industry, with **18,2%** and **16,1%**, respectively.

The sample for the **mining industry** is represented mainly by large and medium-sized enterprises (**66,8%**), among which the largest share consists of companies extracting oil and natural gas, metal ores, as well as enterprises providing technical services in the industry.

Large and medium-sized enterprises in the **manufacturing industry** make up **60,7%** of the total number of surveyed enterprises in the industry. The largest volumes in the industry are produced by enterprises of the metallurgical industry.

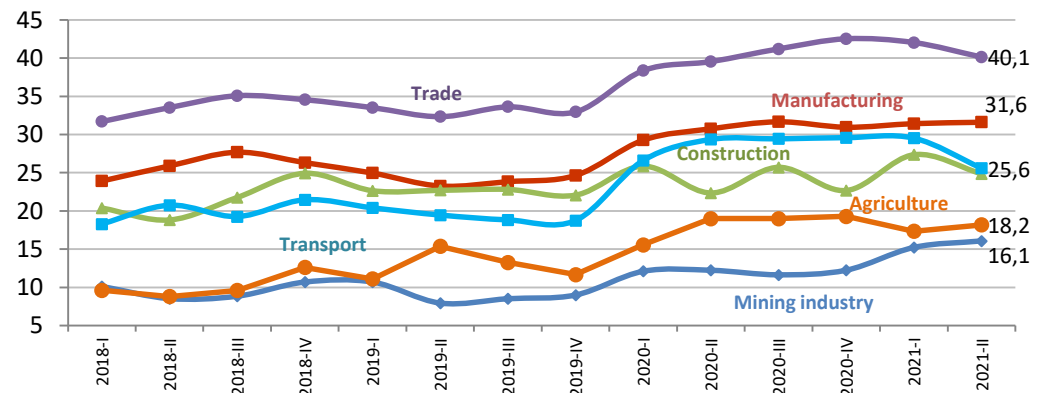
Large and medium-sized enterprises prevail also in **agriculture and construction** (**61,6%** and **60,4%**, respectively).

In **transport and warehousing** more than half of the sample is represented by large and medium-sized enterprises (**51,6%**), most of which provide services for the transportation of oil and oil products via pipelines. Among them there are many enterprises from the register of natural monopoly entities.

In **trade** the share of large and medium-sized enterprises in the sample, as well as in the general population, is low (**23,8%**).

The **representativeness*** of the sample for these industries is 41,5%.

Chart 2. The share of enterprises whose further development opportunities are limited by market competition from other enterprises (%)



* Representativeness in the monitoring of enterprises is assessed by the formula: $SI_{ME} / SI_{SC} * 100$, where SI_{ME} is the income from product sales (SI) of enterprises participating in the NBRK monitoring; SI_{SC} – sales income according to Statistics Committee.

Assessment of Economic Conditions:

Conditions for Investment Activity

Chart 3. Restrictions on investment activity of enterprises

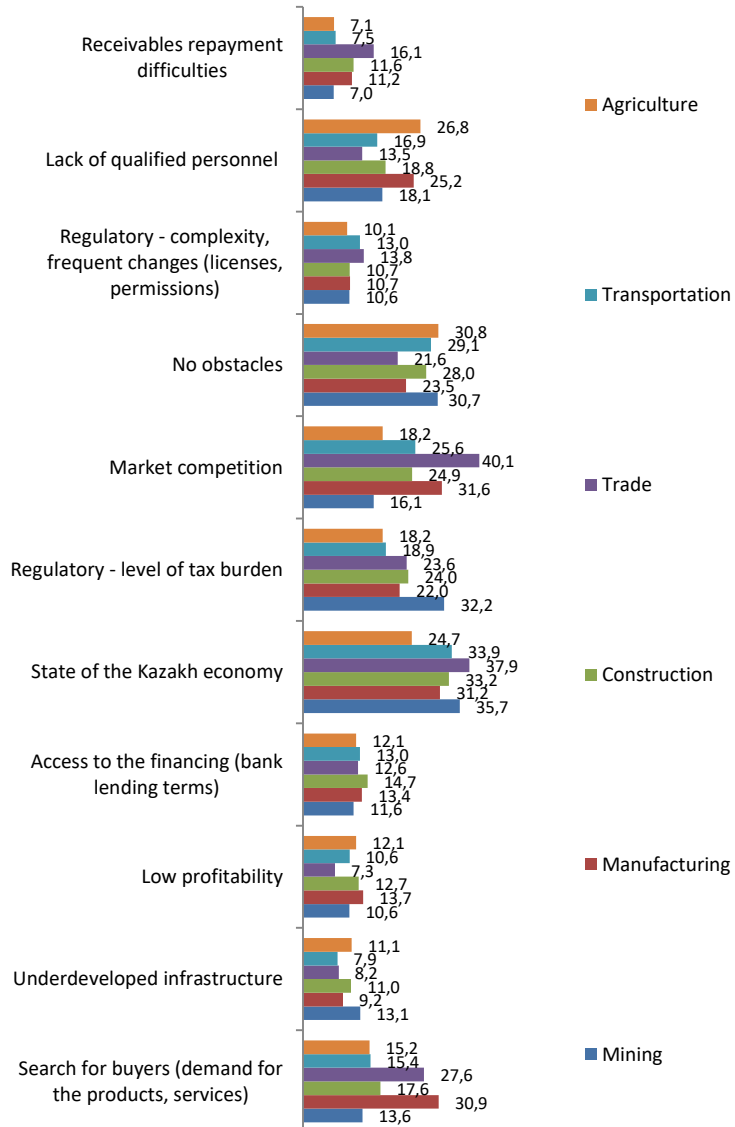
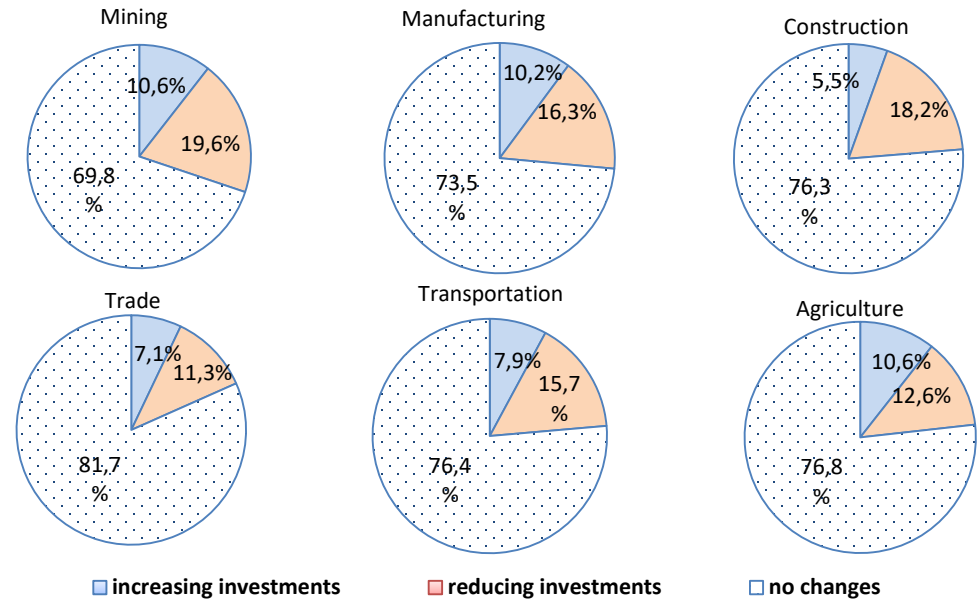


Chart 4. Expectations of enterprises for changes in investments in the next 12 months,%
График 4.



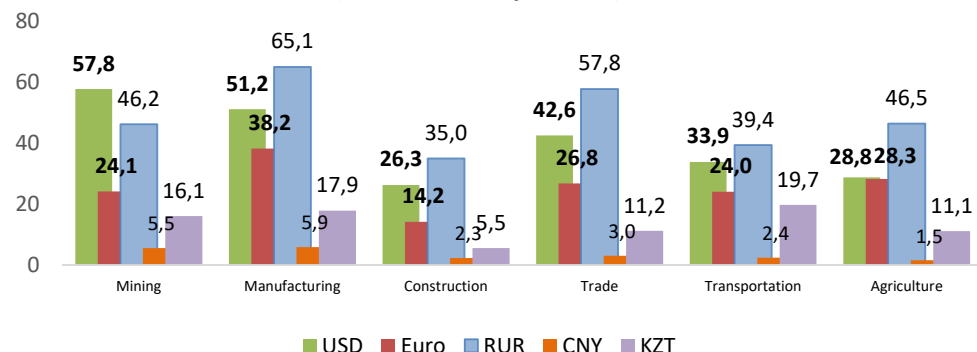
In Q2 of 2021, according to many enterprises, **the state of the economy of Kazakhstan** was the main obstacle to doing business.

For trade enterprises, the most important factor is **competition** from other businesses. For manufacturing and trade enterprises, an important factor hindering business development is **insufficient demand** for products, **26,8%** of agricultural enterprises and **25,2%** enterprises of manufacturing industry note the lack of qualified personnel.

In the next 12 months, financing across all sectors will remain mainly unchanged, the largest increase in financing is planned in the agriculture and mining, and the smallest - in construction and in the trade. The largest reduction in investment is expected in mining industry, the smallest - in the trade. In all the industries under consideration, the share of enterprises planning to reduce investments is greater than the share of those planning to increase them.

The main source of financing is still the **own funds of enterprises**.

**Chart 5. Use of foreign currency in settlements
(share of enterprises,%)**



The main currency used in calculations with foreign partners for all the industries under consideration, except for the mining industry, is Russian ruble (in the manufacturing industry the share of enterprises using Russian ruble is **65,1%**, in trade – **57,8%**). The US dollar dominates only in the mining industry (**57,8%**). Tenge in the calculations was the most used by transportation enterprises (**19,7%**).

Chart 6. Impact of changes in the exchange rate of the tenge against the US dollar for the activities of the enterprise (DI * by industry for the quarter)

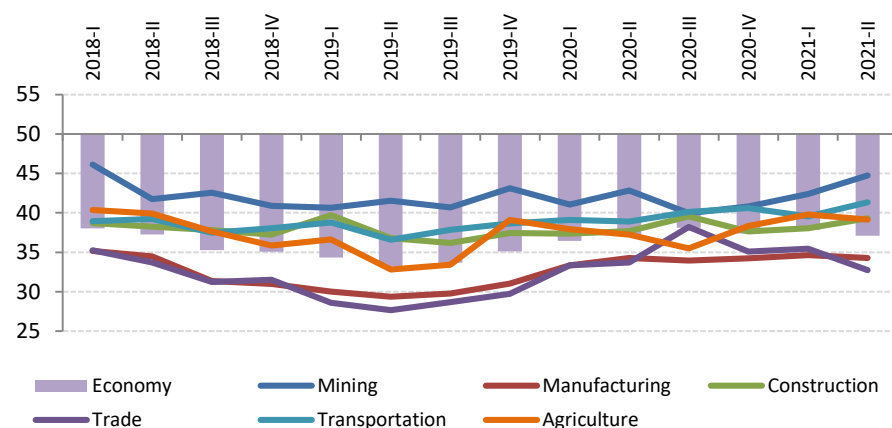
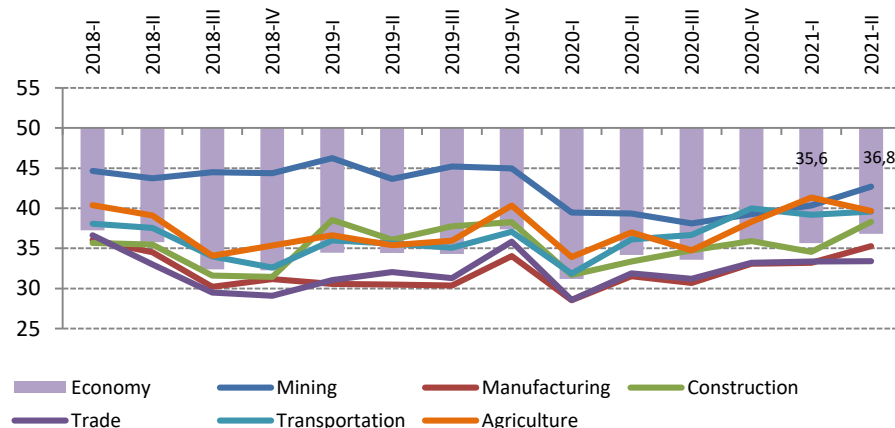


Chart 7. Impact of changes in the exchange rate of the tenge against the Russian ruble on the activities of the enterprise (DI by industry for the quarter)



In Q2 of 2021, the negative impact of the change in the exchange rate of the tenge **against the Russian ruble increased** for trade and agriculture industry enterprises, but **decreased** for other sectors, **particularly for transport and warehousing and mining** enterprises. The negative impact of the change in the exchange rate of the tenge **against the US dollar intensified** for agriculture, not changed for trade and decreased for all other considered sectors. As a result DI in the economy increased to 36,8.

Chart 8. Share of enterprises for which bank lending conditions are unacceptable, %

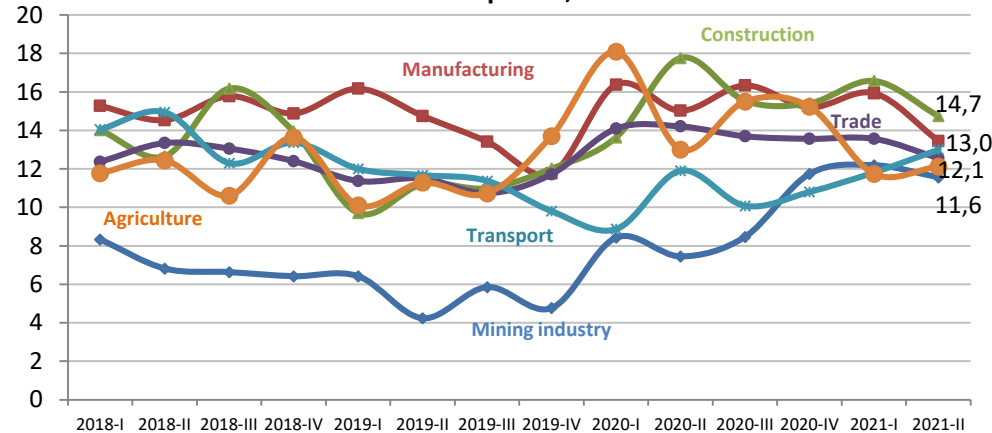


Table 1. Average lending rates, %

	In tenge		In foreign currency	
	in fact	preferred	in fact	preferred
Mining	12,9	3,8	5,0	2,0
Manufacturing	10,5	5,4	6,5	2,5
Construction	12,7	9,2	5,0	1,9
Trade	11,6	6,4	5,5	3,0
Transportation	11,5	3,9	4,8	1,6
Agriculture	10,5	4,0	-	1,8

Chart 9. Companies intending to apply for a loan in Q2 and in Q3 2021, %



In Q2 of 2021, agriculture and transport sector enterprises note worsening of the access to bank loans, while construction, manufacturing, mining and trade enterprises report an improvement. The largest number of enterprises for which credit conditions are unacceptable belongs to the construction (**14,7%**), manufacturing (**13,0%**). A smaller number corresponds to agriculture and mining.

The highest interest rates on loans received in tenge were observed in mining (**12,9%**), in foreign currency – in the manufacturing and trade (**6,5%** and **5,5%**, respectively).

The largest share of enterprises intending to apply for a loan in Q3 of 2021 is in the manufacturing industry and trade (**22,9%** and **18,3%**, respectively), the smallest - in the “transportation and warehousing” industry (**9,8%**).

Chart 10. Weighted average* credit load **, %

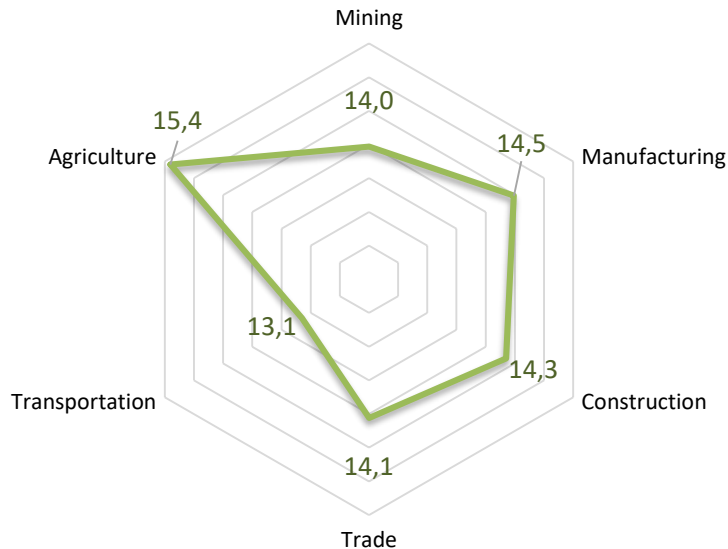
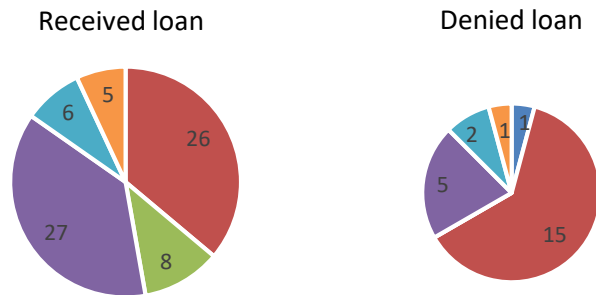


Chart 12. Results for consideration of loan applications, number



■ Mining ■ Manufacturing ■ Construction ■ Trade ■ Transportation ■ Agriculture

Chart 11. The share of enterprises with overdue *** debt on bank loans, %



In Q2 2021, the weighted average credit burden in agriculture was higher than in other sectors. In agriculture, an average of **15,4%** of income from sales of products is spent on debt repayment. The lowest value of this indicator was noted in transportation (**13,1%**).

In all sectors, except for the manufacturing and trade, the share of enterprises with overdue (more than 90 days) debt on bank loans decreased. The largest share of such enterprises is in agriculture (**9,1%**), the smallest - in the mining industry (**4,0%**).

In Q2 of 2021, out of the sample for the industries under consideration, **24 enterprises** were denied loans, a half of them are manufacturing enterprises (**15 enterprises**). The least quantity of such enterprises is in mining and agriculture. There were no such kind of companies in the construction.

* Arithmetic weighted average is the average value of the interval, weighted by the share of enterprises

** Monthly payment / Income from product sales * 100

*** more than 90 days

Assessment of real performance indicators of enterprises:

Chart 13. Mining industry, DI*

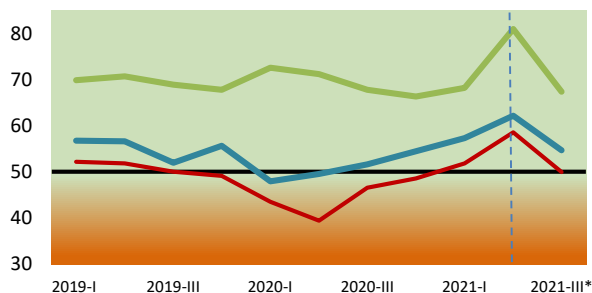


Chart 14. Manufacturing, DI*

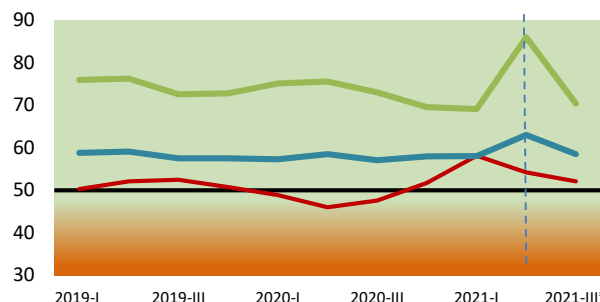


Chart 15. Construction, DI*

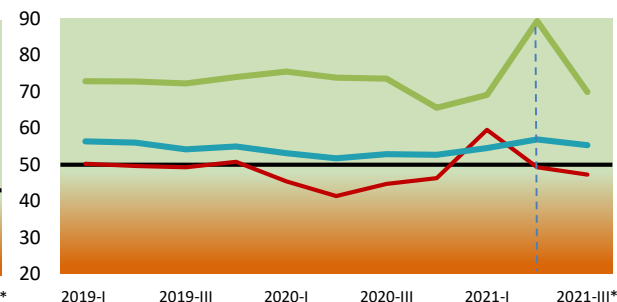


Chart 16. Trade, DI*

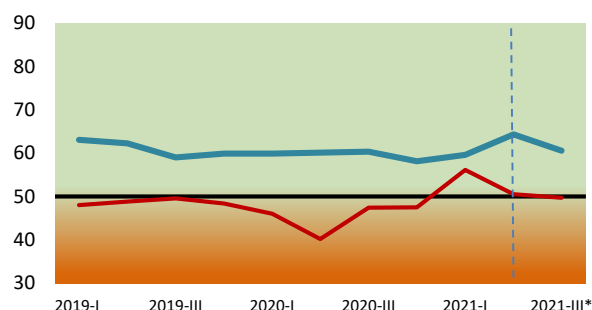


Chart 17. Transportation and warehousing, DI*

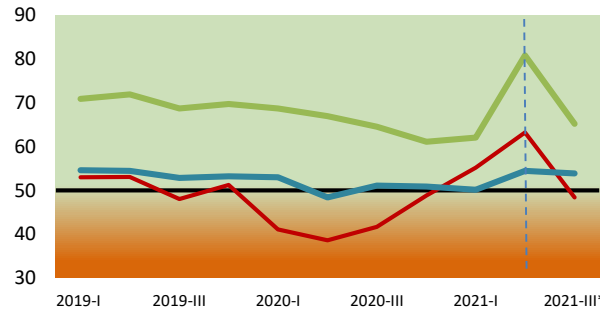
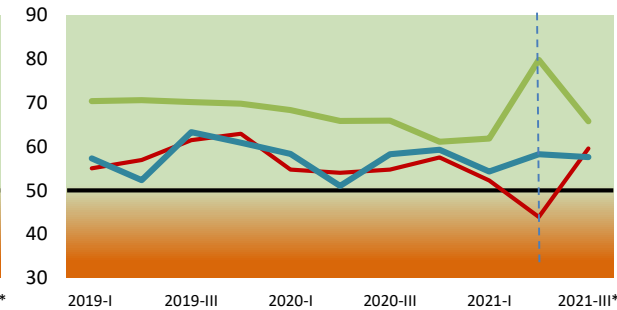


Chart 18. Agriculture, DI*



— Demand

— Production prices

— Prices for raw materials

In Q2 of 2021, a slight deterioration in the situation with **the demand for final products** was noted in all sectors except mining and transport and warehousing industry.

A slowdown in the growth rate of demand was noted in the manufacturing industry, trade, and construction. The demand in agriculture has moved into the negative zone. In Q3 2021, demand is expected to continue to decline in all sectors, except agriculture.

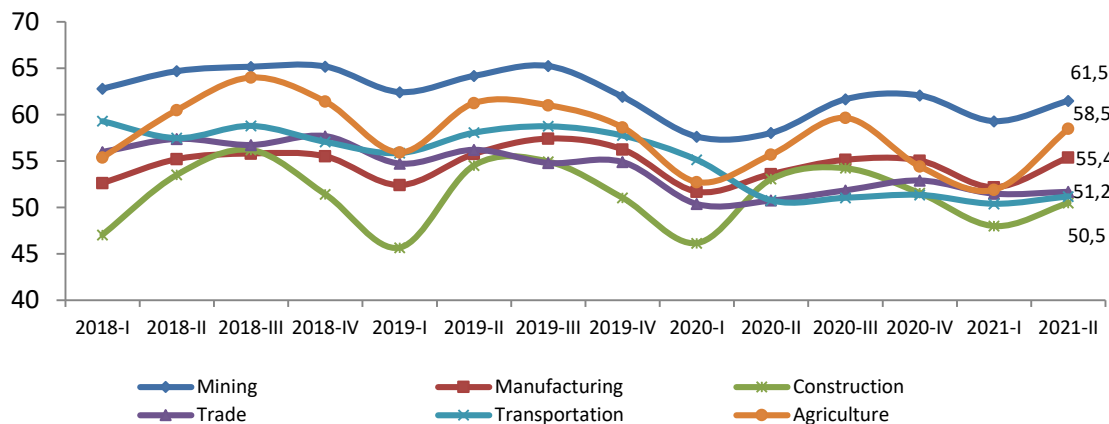
Acceleration in the growth rate of prices for raw materials and for final goods in the 2nd quarter of 2021 was noted in all industries. In the third quarter of 2021, a slight slowdown in the growth rate of prices for raw materials and final goods is expected in all the industries under consideration.

* DI, diffusion index, the higher (lower) the level of 50, the more positive (negative) the influence of the indicator, level 50 means no influence

** The graphs reflect the expectations of enterprises for the change in the parameter in the 3rd quarter of 2021

Assessment of real performance indicators of enterprises: Capacity utilization rate

Chart 19. Weighted average utilization of production capacities by industry, *%

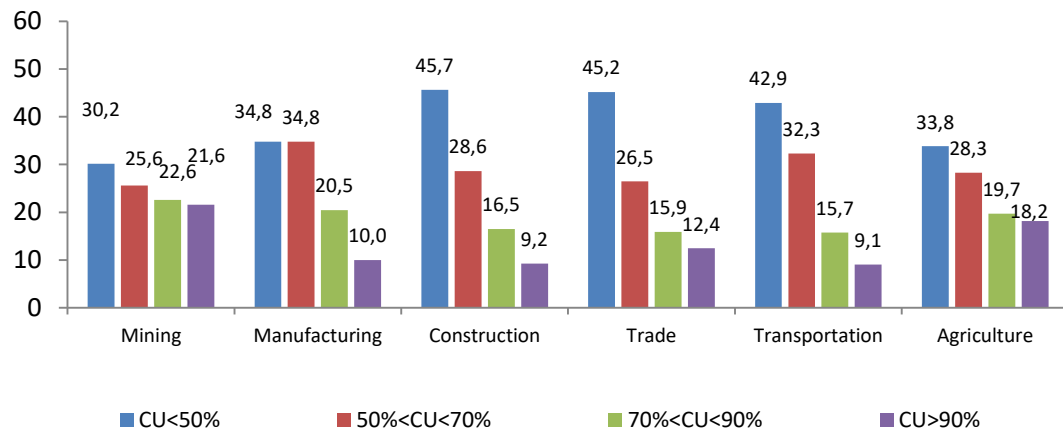


In Q2 of 2021, an increase in the level of **capacity utilization (CU)** was noted in all industries

The best situation is in the mining industry, where the share of enterprises with the maximum CU (**CU ≥ 90%**) is higher than in other sectors, and the share of enterprises with **CU < 50%** is less than in others. The worst situation with CU is in the construction and “transport and warehousing industry”.

The highest weighted average CU remains in the mining industry (**61.5%**). The construction sectors turned out to be the industries with the lowest levels of potential utilization. The volatility of the dynamics in the weighted average CU in construction and agriculture shows a strong dependence of the indicator on the seasonality.

Chart 20. The level of utilization of production capacities in the 2th quarter of 2021, the share of enterprises in %



* The arithmetic weighted average is the average value of the interval, weighted by the share of answers to the question about the level of utilization of production facilities.

Assessment of real performance indicators of enterprises:

Financial performance of enterprises

Table 2. Median* value of main indicators

	CLR	SR	ATR	ROS**	SFR	SWCA
Mining	1,56	1,44	0,18	40,0	0,52	49,1
Manufacturing	1,38	1,41	0,26	21,4	0,36	63,1
Construction	1,15	1,19	0,21	20,9	0,31	70,3
Trade	1,17	1,18	0,44	19,9	0,21	82,2
Transportation	1,11	1,42	0,14	26,8	0,43	30,9
Agriculture	1,35	1,45	0,11	21,5	0,46	33,4

The main **indicators of the financial and economic activities of enterprises** in the 2nd quarter of 2021 were as follows:

- mining companies have the highest liquidity (**CLR = 1,56**);
- mining and agriculture companies are the most solvent (**SR = 1,44** and **1,45** respectively);
- business activity in trade is significantly higher than in other industries (**ATR=0,44**);
- mining companies are the most profitable (**ROS = 40,0%**), the least profitable – trade (**ROS = 19,9%**);
- the chance of financing investments from their own funds in the mining industry is higher than in other industries (**SFR = 0,52**);
- most of the assets of trade enterprises are current assets (**SWCA = 82,2%**).

Table 3. Financial indicators overview

	Formula	Short description
CLR (current liquidity ratio)	Current assets / Current liabilities	It characterizes the company's ability to repay current (short-term) liabilities using only current assets. The higher the indicator, the better the company's solvency. The standard is 1.2-2.0
SR (solvency ratio)	Assets / Liabilities	Shows the ability to cover all the liabilities of the enterprise (short-term and long-term) with all of its assets
ATR (asset turnover ratio)	SI / Assets SI - income from product sales	Shows the intensity of use (rate of turnover) of assets. It serves as an indicator of the business activity of the enterprise
ROS (return on sales)	(SI – COGS) / SI * 100 COGS - cost of goods sold	An indicator of the financial performance of the organization, showing what part of the organization's revenue is profit (before tax)
SFR (self-financing ratio)	E / (E + Liabilities) E – equity	The ratio of own investment funds to the total amount of funds required for investment
SWCA (share of working capital in assets)	Short-term assets / Assets * 100	Allows to judge the liquidity of the balance as a whole

* The median values are presented due to the lower degree of exposure to the influence of extreme values, in contrast to the arithmetic mean.

** Sales before deducting interest, taxes and depreciation expenses

Assessment of enterprises real performance indicators:

Financial performance of enterprises

Chart 21. Current liquidity ratio dynamics (CLR)

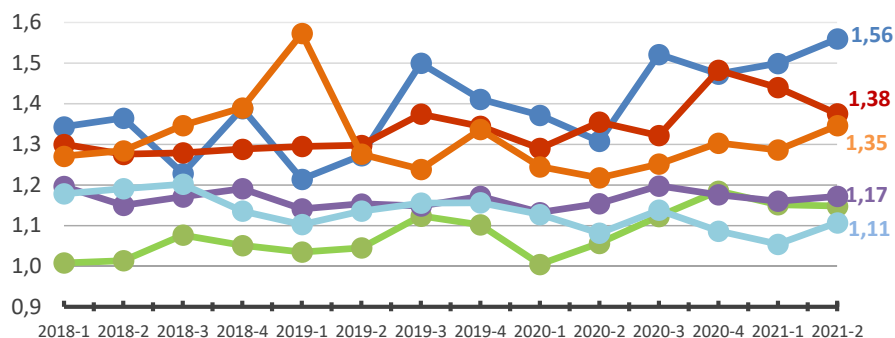


Chart 23. Self-financing ratio dynamics (SFR)

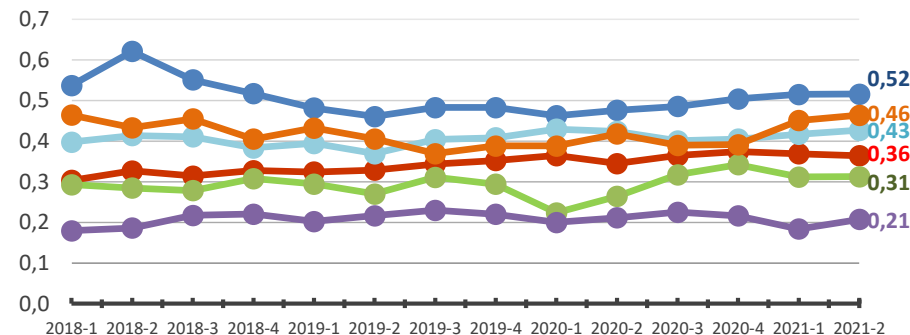


Chart 22. Asset turnover ratio dynamics (ATR)

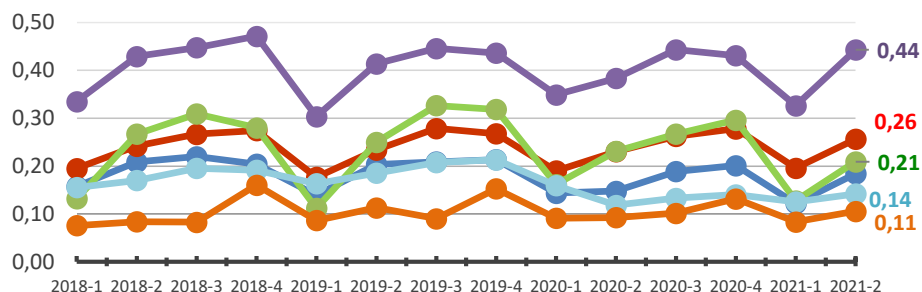
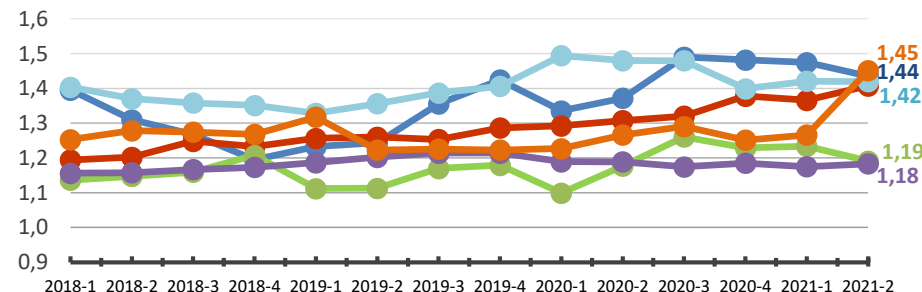


Chart 24. Overall solvency ratio dynamics (SR)



— Mining — Manufacturing — Construction — Trade — Transportation — Agriculture

In Q2 2021, the ability of enterprises to pay off their short-term liabilities improved, except for the manufacturing industry (CLR = 1,38). There was a seasonal improving in the business activity in all industries, the biggest growth was in the trade (ATR increased from 0,33 to 0,44). The ability to cover liabilities kept the same level in all sectors, except agriculture, where the indicator slightly improved (SR = 1.45) and mining and construction, where the indicator declined (SR = 1.44, and 1,19 respectively).

The ability to finance investments from their own funds has increased for trade, agriculture and transport and warehousing enterprises (SFR = 0,21, 0,46 and 0,43), in other industries remained in the same level.

The ability of mining companies to pay off their short-term and long-term liabilities is higher than in other industries (CLR = 1.56 and SR = 1.44, respectively).

* The median values are presented due to the lower degree of exposure to the influence of extreme values, in contrast to the arithmetic mean

** Formula and the short description of the financial indicators are on the table 3 (page 11)

Assessment of real performance indicators of enterprises:

Financial performance of enterprises

Chart 25. Return on sales *, %

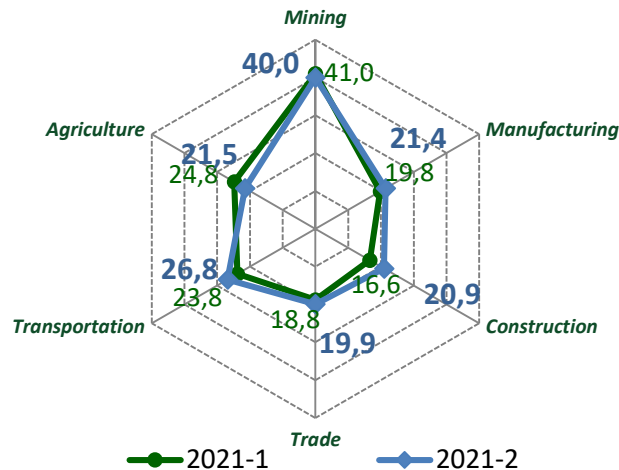


Chart 26. Dynamics of sales profitability *, %

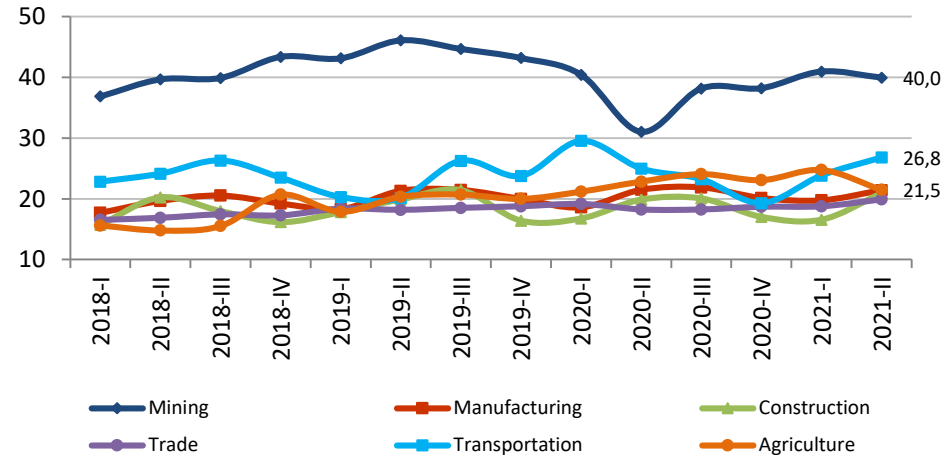


Chart 27. The share of enterprises planning to end the financial year with profit / loss, %



The return on sales (before tax and deduction of interest and depreciation expenses) in Q2 of 2021 has increased in all industries, except mining and agriculture.

Despite the fact that the return on sales in the mining industry is significantly higher than in other industries, the share of enterprises planning to close the financial year with losses in the mining industry is higher than in other industries (15,6%). Manufacturing, trade and transport enterprises are much more optimistic in their estimates: the share of enterprises planning to close the year with a profit is 43,6%, 39,8% and 32,3%, respectively.

In all the industries under consideration, the share of enterprises planning to close the year with a profit is greater than the share of those planning to close the year with a loss.

Assessment of real performance indicators of enterprises:

Debt burden in industries

The situation with overdue debt outside the banking sector, that is, for mutual calculations with suppliers, contractors, customers, buyers, etc. has changed. According to the results of Q2 2021, the share of enterprises with overdue (more than 90 days) **accounts receivable** decreased (from **24,4%** to **23,9%**) and **accounts payable** decreased (from **22,2%** to **20,5%**) on average in the economy.

In mining and manufacturing industries, the share of enterprises with overdue accounts receivable has **increased**. The share of enterprises with overdue accounts payable **increased** only in manufacturing. The largest number of enterprises with both overdue accounts receivable and overdue accounts payable was noted in the mining industry (**31,2%** and **32,7%**, respectively).

Chart 28. Overdue accounts receivable debt (%)

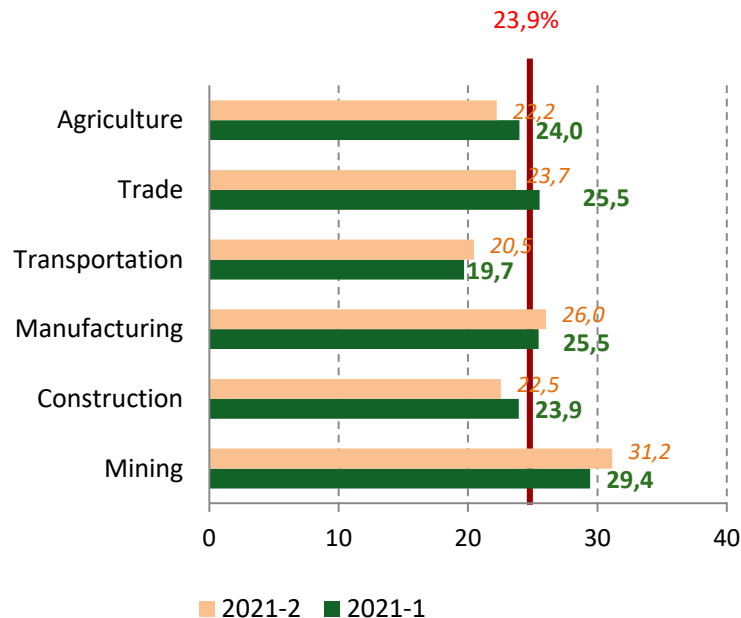
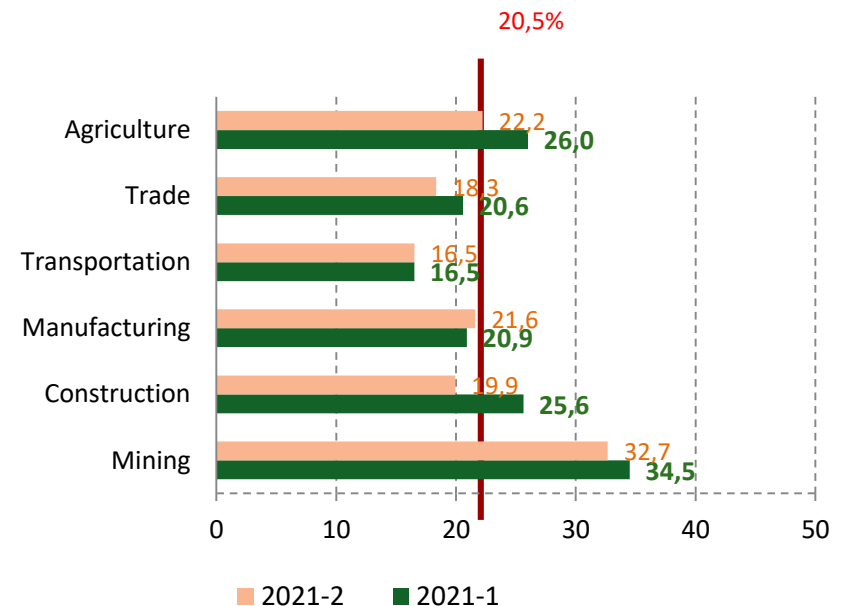


Chart 29. Overdue payables debt (%)



Assessment of real performance indicators of enterprises:

Production volumes and expenses for work force

Chart 30. Production volume dynamics, DI *

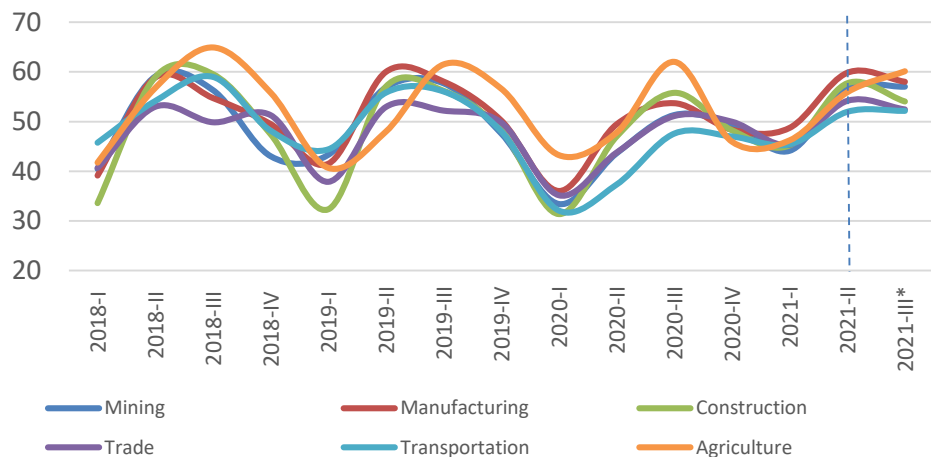


Chart 31. Number of employed dynamics, DI

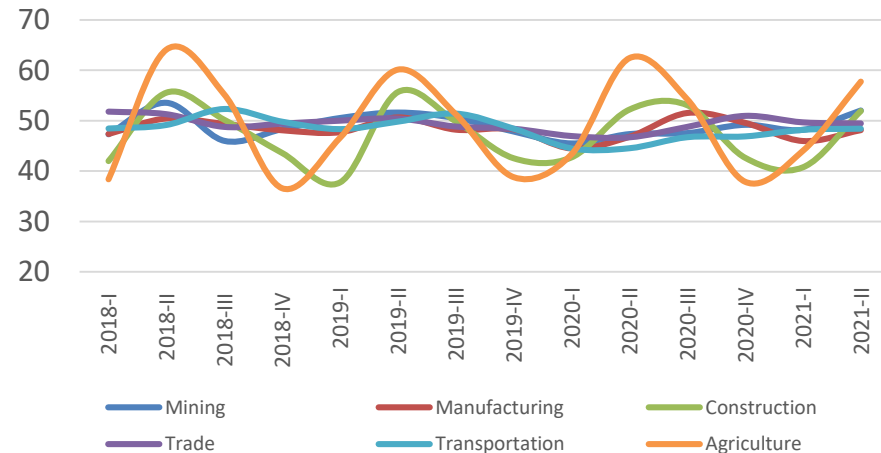
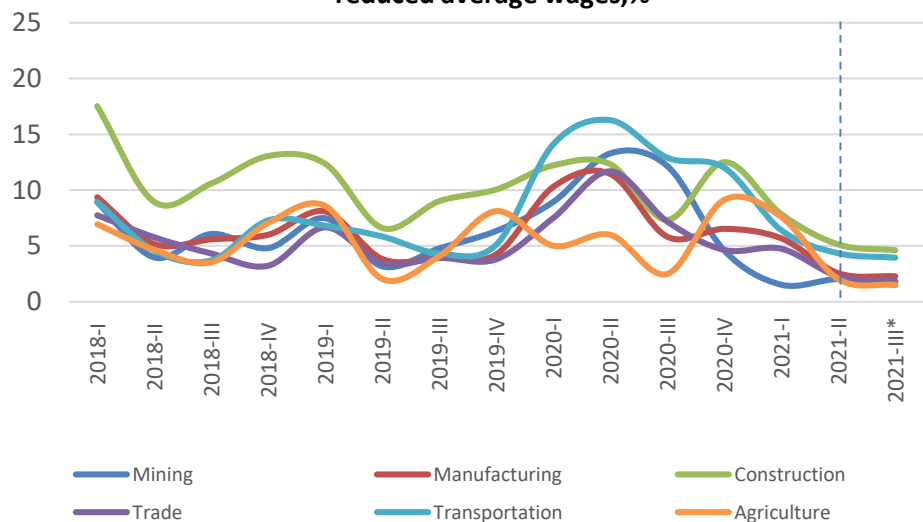


Chart 32. Dynamics of the share of enterprises that reduced average wages,%



In Q2 of 2021, in all the industries under consideration an **increase in production volumes** was noted, and DI moved into the area of growth. The largest increase was noted in the manufacturing industry. In Q3 of 2021 a slowdown in **production volume** is expected.

The number of employees increased in almost all sectors, the biggest increase was noted in agriculture and construction, which is explained by the seasonal nature of their work.

In Q2 of 2021, the number of enterprises that reduced the average wages decreased in all considered industries, except mining industry.

* DI, diffusion index, the higher (lower) the level of 50, the more positive (negative) the influence of the indicator, level 50 means no influence

** The graphs reflect the expectations of enterprises for the change in the parameter in the 3rd quarter of 2021

- The highest **degree of competition remains** in trade.
- Most enterprises point out **the state of the economy of Kazakhstan** as the main obstacle to doing business.
- In Q2 of 2021, the **least** negative impact from the change in the exchange rate of the tenge against **the US dollar and the Russian ruble** in the analyzed period was experienced by the mining industry, manufacturing, transport and construction, the **largest** - by the agriculture and trade enterprises. The main currency used in settlements with foreign partners is the Russian ruble (in manufacturing - 65.1%, in trade - 57.8%).
- In Q2 of 2021, in all considered industries, an increase in production volumes and an increase in the level of capacity utilization was noted. The highest capacity utilization remains in the mining industry (61,5%).
- In the Q2 of 2021, there was a deterioration in the situation with **the demand for final products** in all sectors except the mining and transport and warehousing industry.
- The **ROS** in the mining industry is significantly higher than in other industries. A decrease was noted in the mining and agriculture.
- The largest number of enterprises with both overdue accounts receivable and overdue accounts payable was noted in the mining industry (31.2% and 32.7%, respectively).
- In Q3 of 2021, a demand is expected to continue to decline in all sectors, except agriculture, as well as a slowdown in the growth rate of prices for raw materials and final goods.