SECTORAL MARKET REVIEW
Enterprises Survey Results in the Real Sector of the Economy
(Sectors: Mining, Manufacturing, Construction, Trade, Transportation and Warehousing, Agriculture)

Q2 2023

Monetary Policy Department
National Bank of Kazakhstan

General

I. Assessment of economic conditions:

II. Assessment of performance indicators of enterprises

Conclusions

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 2023
Total monitoring participants	➤ 3362
Sample details	
Mining	➤ 209
Manufacturing	➤ 743
Construction	➤ 325
Trade	➤ 954
Transport and warehouse	➤ 265
Agriculture	➤ 197
Total respondents in the sample	➤ 2 693

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

The sample of the **mining** industry is mainly represented by large and medium-sized enterprises (**65.6%),** among which the largest share belongs to enterprises producing oil and natural gas, metal ores, as well as enterprises providing technical services in the industry.
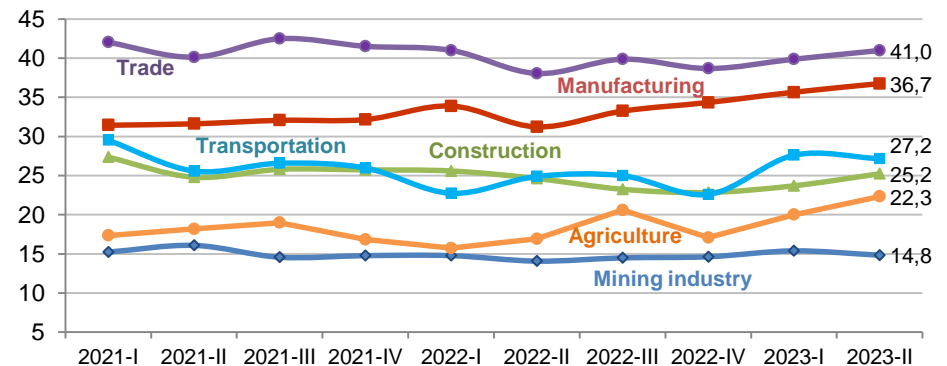
Large and medium-sized enterprises in the **manufacturing** industry make up **61.0%** of the total number of surveyed enterprises in the industry. The largest volumes in the industry are produced by enterprises of the metallurgical industry.

Large and medium-sized enterprises prevail also in **agriculture and construction** (**60.3%** and **59.9%**, respectively).

In **transportation** and **warehousing**, almost half of the sample is represented by large and medium-sized enterprises (**48.3%**), most of which provide services for the transportation of oil and oil products through main pipelines. Among them are many enterprises from the register of subjects of natural monopolies.

In **trade,** the share of large and medium-sized enterprises in the sample, as well as in the population, is low (**23.2%**).

In Q2 of 2023 the importance of competition increased in all industries, except for transportation and warehousing, as well as the mining industry.

Trade remains the industry most affected by market competition, where **41.0%** of enterprises feel its impact on their business.

In the **manufacturing** industry, the share of such enterprises reached **36.7%**, in **transport** and **warehousing** - **27.2%**, in **construction** - **25.2%**, in **agriculture** - **22.3%.** The smallest share was in the **mining** industry - **14.8%.**

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

Chart 3. Restrictions on investment activity of enterprises

- Agriculture
- Transportation
- Trade
- Construction
- Manufacturing
- Mining

Receivables repayment difficulties: 7,1 / 12,1 / 15,8 / 11,4 / 12,9 / 9,1

Lack of qualified personnel: 29,4 / 22,3 / 18,6 / 28,6 / 31,5 / 21,1

Regulatory - complexity, frequent changes (licenses, permissions): 9,6 / 18,5 / 17,6 / 14,2 / 15,7 / 21,1

No obstacles: 34,5 / 28,3 / 23,8 / 28,0 / 20,5 / 28,2

Market competition: 22,3 / 27,2 / 41,0 / 25,2 / 36,7 / 14,8

Regulatory - level of tax burden: 15,2 / 19,2 / 28,2 / 27,4 / 27,9 / 37,3

State of the Kazakh economy: 27,4 / 34,7 / 36,6 / 31,1 / 32,8 / 29,7

Access to the financing (bank lending terms): 13,2 / 15,1 / 16,2 / 15,7 / 16,2 / 13,9

Low profitability: 10,2 / 12,8 / 8,4 / 11,4 / 16,0 / 14,4

Underdeveloped infrastructure: 10,2 / 14,7 / 11,2 / 12,0 / 12,5 / 17,2

Search for buyers (demand for the products, services): 17,3 / 20,4 / 29,9 / 19,7 / 30,3 / 13,9

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

Mining: 11,0% increasing; 12,0% reducing; 77,0% no changes

Manufacturing: 11,4% increasing; 11,7% reducing; 76,9% no changes

Construction: 8,6% increasing; 13,8% reducing; 77,5% no changes

Trade: 6,7% increasing; 9,5% reducing; 83,8% no changes

Transportation: 15,1% increasing; 9,8% reducing; 75,1% no changes

Agriculture: 14,2% increasing; 10,2% reducing; 75,6% no changes

- ☐ increasing investments
- ☐ reducing investments
- ☐ no changes

In Q2 of 2023, according to many enterprises, the **state of the economy** of Kazakhstan turned out to be the main obstacle in conducting business.

The main obstacle for trade and manufacturing enterprises is **market competition**, and for construction, transport and warehousing enterprises - the **state of the economy**. The most important obstacle for enterprises in the mining industry is the **level of the tax burden**, and for agriculture - the **lack of qualified personnel**.

In the next 12 months, financing in all industries will remain mainly in the previous volumes, while the largest increase in financing is planned in transport and warehousing. The largest reduction in investments is expected in construction, the smallest - in trade. In all considered industries, except for transport and warehousing, as well as agriculture, 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**.

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Chart 5. Use of foreign currency in settlements (share of enterprises,%)
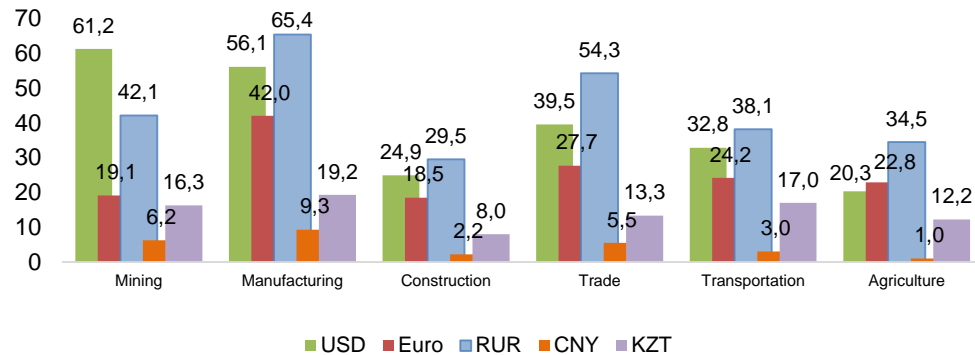
The main currencies used in settlements with foreign partners are the Russian ruble and the US dollar. The Russian ruble dominates all industries, except the mining industry (the US dollar dominates).

Tenge in calculations in Q2 of 2023 was mostly used by enterprises of the manufacturing industry - 19.2%.

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)
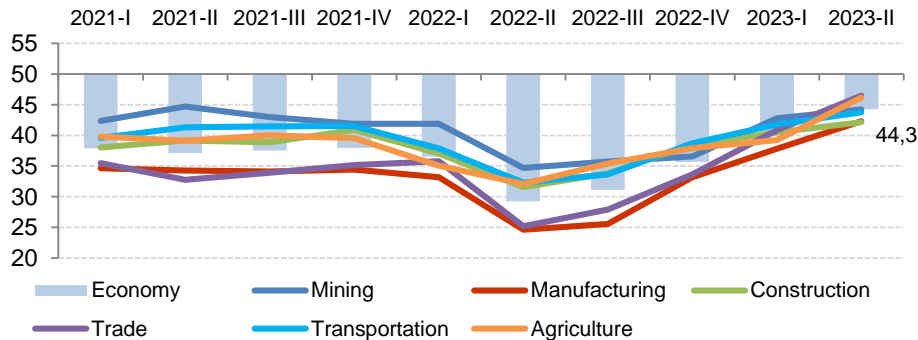
Chart 7. Impact of changes in the exchange rate of the tenge against the Russian ruble on the activities of the enterprise (DI by industry for the quarter)
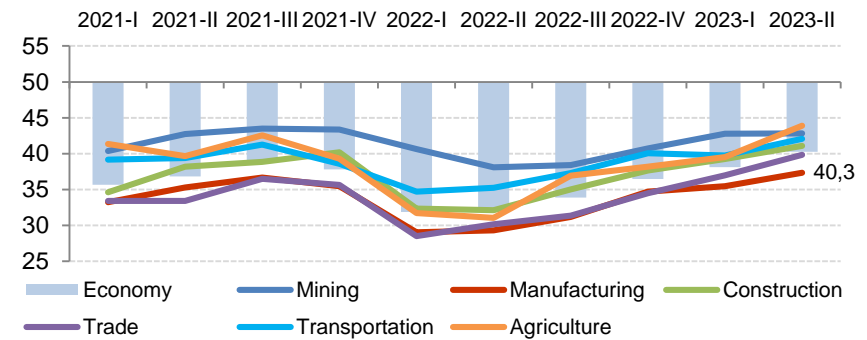
In Q2 of 2023 the negative impact of the tenge to **Russian ruble** exchange rate on the economy as a whole **decreased** (DI was 44.3) for enterprises of all industries. The negative impact of the exchange rate of the tenge to the **US dollar also decreased** for enterprises in almost all industries, except for the mining industry (DI was 40.3).

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

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	19,1	5,0	5,4	2,2
Manufacturing	15,3	6,2	6,2	2,8
Construction	19,5	7,3	5,5	3,1
Trade	17,9	8,0	4,5	3,6
Transportation	18,0	7,2	6,8	3,1
Agriculture	15,6	6,7	-	2,8

Chart 9. Companies intending to apply for a loan in Q2 of 2023 and in Q3 of 2023, %

In Q2 of 2023 the share of enterprises for which the conditions of bank lending are unacceptable increased in all sectors, except for agriculture. The largest number of enterprises for which crediting conditions are unacceptable refers to the processing industry and trade (16.2% each), and the smallest amount is accounted for by the agricultural sector (13.2%).

The highest interest rates on loans received in tenge (19.5% and 19.1%) were recorded in the construction and mining industries, and in foreign currency - in transportation and warehousing (6.8%). The largest share of enterprises intending to take a loan in Q3 of 2023 falls on the manufacturing industry (24.1%), and the smallest - on the transportation and warehousing sector (8.7%).
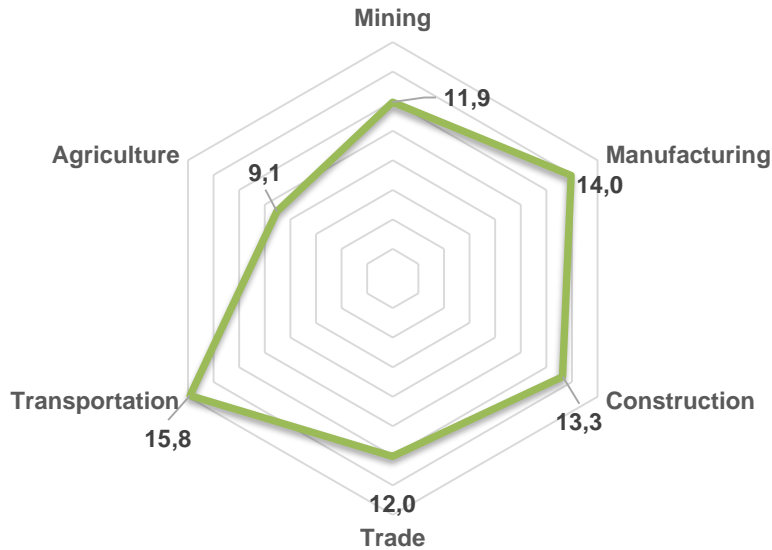
Chart 10. Weighted average* credit load **,%

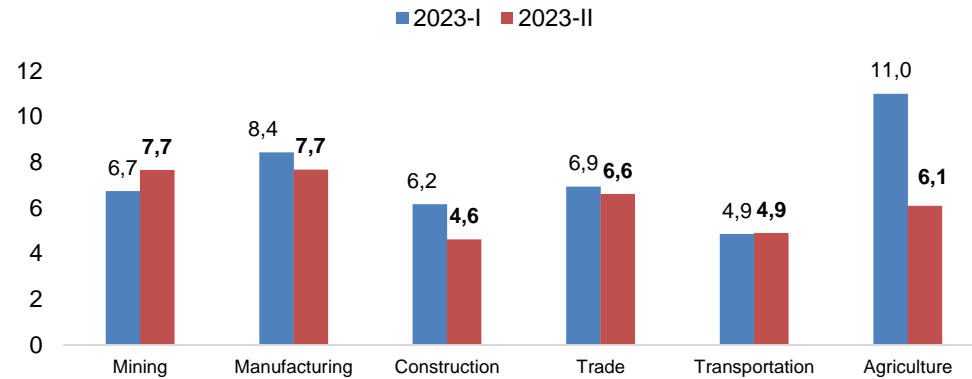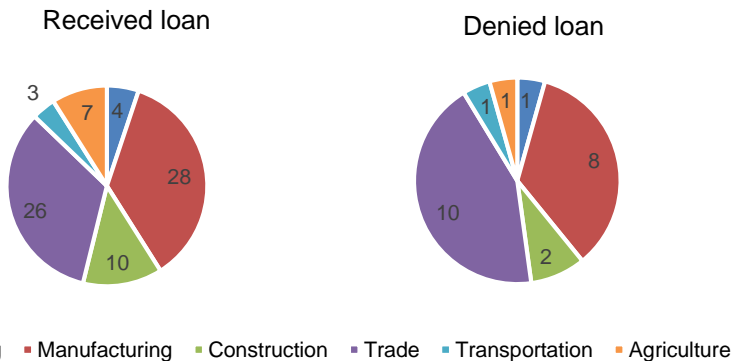**Chart 11. The share of enterprises with overdue *** debt on bank loans,%**

Chart 12. Results for consideration of loan applications, number

Received loan

Denied loan

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

In Q2 of 2023 the weighted average credit load in the transportation and warehousing industry was higher than in other industries. The lowest value of this indicator is observed in agriculture (**9.1%**).

The share of enterprises with overdue debt on bank loans increased only in the mining industry.

In Q2 of 2023 **23 of surveyed enterprises** were denied credit.

* 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

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Assessment of performance indicators of enterprises:
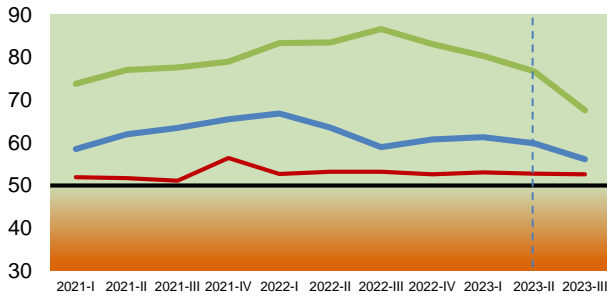
Chart 13. Mining industry, DI*
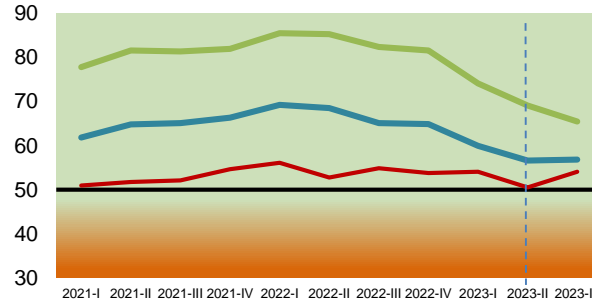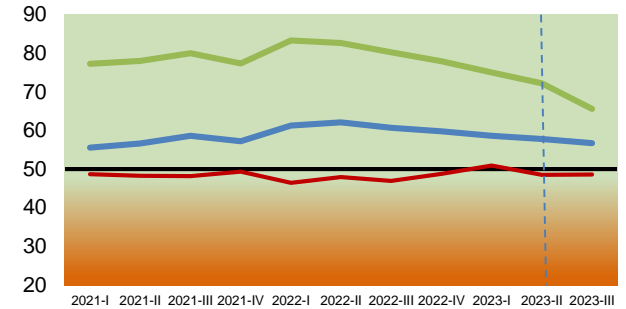### Chart 14. Manufacturing, DI*
Chart 15. Construction, DI*

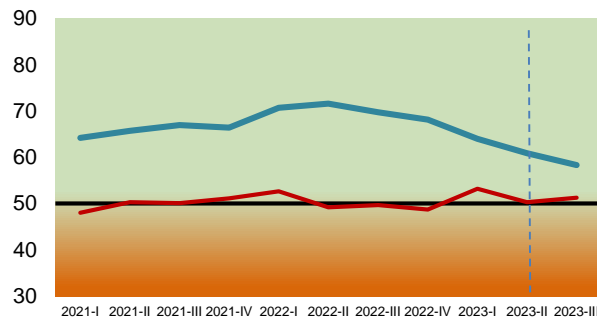### Chart 16. Trade, DI*
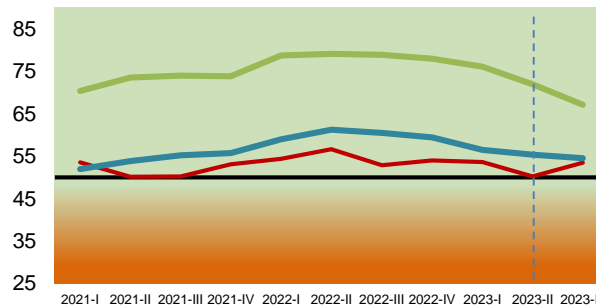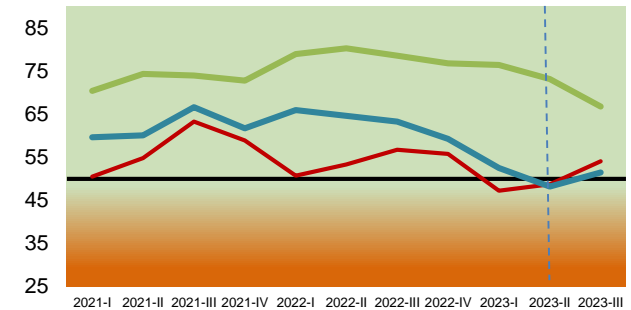### Chart 17. Transportation and warehousing, DI*
Chart 18. Agriculture, DI*

— Demand — Production prices — Prices for raw materials

In Q2 of 2023 a slowdown in **demand for finished products** was noted in all industries, except for agriculture and construction. The demand indicator in construction worsened and moved into the negative area, and in agriculture slightly improved, but still remains in the negative area. In Q3 of 2023 the situation with demand is expected to improve in all industries, except the mining industry (a slight slowdown) and construction (decrease).

The slowdown in the **price of raw materials** in Q2 of 2023 was noted in all industries. Also, the growth rate of **prices for finished products** slowed down in all industries, except for agriculture (it worsened and moved into the negative area). In Q3 of 2023 the rate of growth rate of **prices for raw materials** and **finished products** is expected to slow down in all industries, except prices for finished products in the agricultural and manufacturing industries (growth).

* 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 Q3 of 2023
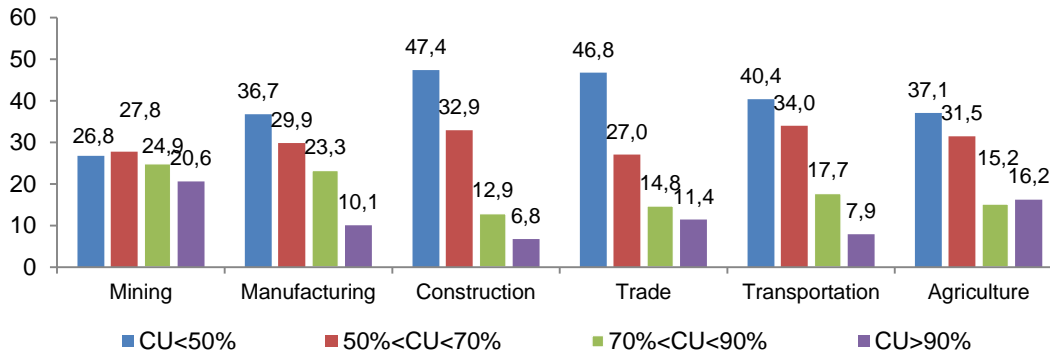
Chart 19. Weighted average* utilization of production capacities by industry, %
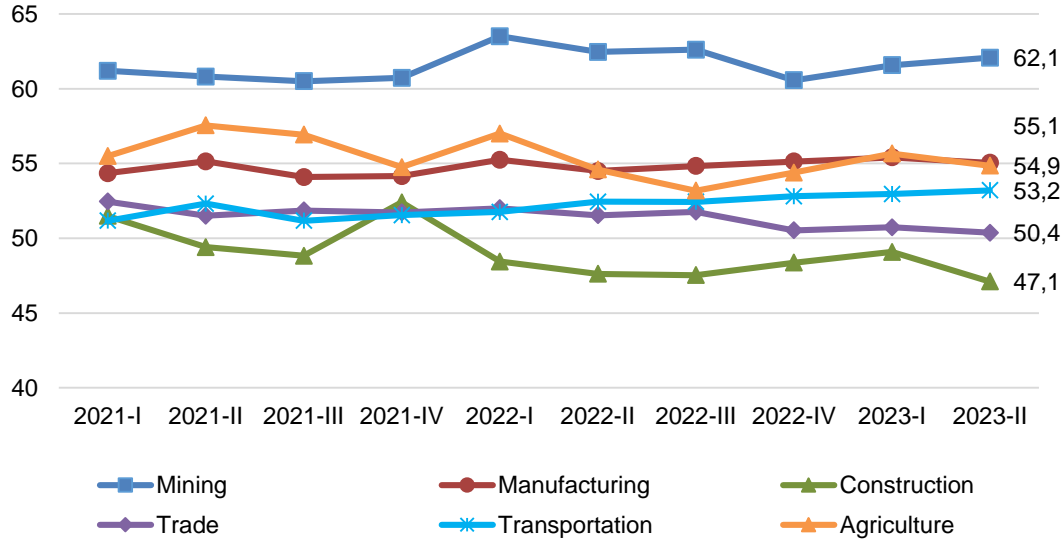
In Q2 of 2023 the weighted average **capacity utilization (CU)** increased only in the mining industry, as well as in transportation and warehousing. The best situation is in the mining industry, where the share of enterprises with maximum CU (**CU>=90%**) is greater than in other industries, and the share of enterprises with **CU<50%** is less than in others.

The highest level of CU is in the mining industry (62.1%).

Chart 20. The level of utilization of production capacities in the 2nd quarter of 2023, 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.

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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	1,41	1,56	0,20	40,9	0,52	49,4
Manufacturing	1,52	1,47	0,26	24,2	0,38	65,2
Construction	1,10	1,09	0,21	21,9	0,17	72,4
Trade	1,21	1,22	0,39	20,7	0,24	81,8
Transportation	1,21	1,70	0,17	29,8	0,48	36,6
Agriculture	1,66	1,36	0,10	16,3	0,49	33,7

The main indicators of the financial and economic activity of enterprises in Q2 of 2023 were as follows:
- agricultural enterprises have the highest liquidity **(CLR=1.66)**;
- transportation and warehousing enterprises are considered the most solvent (**SR=1.70**);
- business activity in trade is significantly higher than in other industries (**ATR=0.39**);
- mining industry enterprises remain the most profitable (**ROS=40.9%**), agricultural companies remain the least profitable (**ROS=16.3%**);
- the possibility of financing investments at the expense of 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=81.8%**).

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.
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

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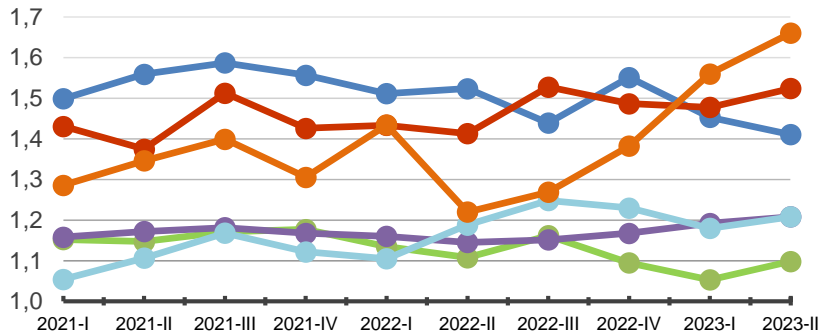### Chart 21. Current liquidity ratio dynamics

Chart 23. Self-financing ratio dynamics (SFR)
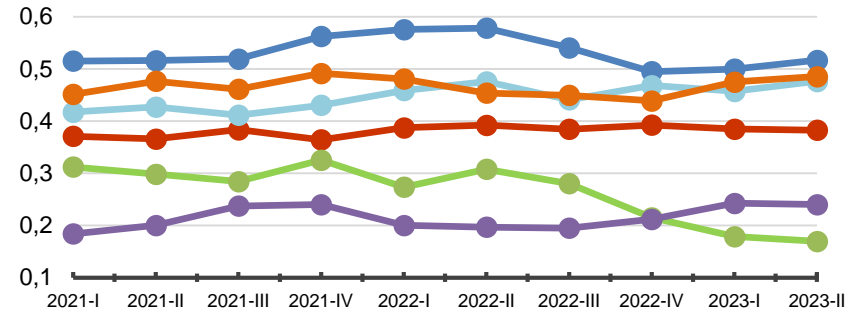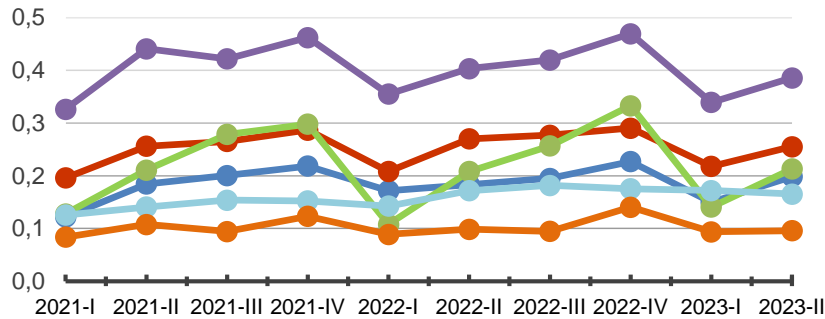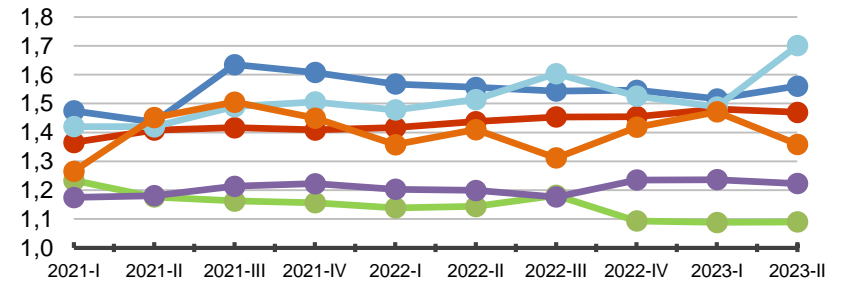

Chart 22. Asset turnover ratio dynamics (ATR)

Chart 24. Overall solvency ratio dynamics

Legend: Mining — Manufacturing — Construction — Trade — Transportation — Agriculture

In Q2 of 2023 the ability of enterprises **to repay their short-term obligations improved** (CLR increased) in all industries, except for the mining industry. There is an increase in business activity in all industries (ATR increased), except for transportation and warehousing (kept the same level).

The possibility to finance investments on own funds decreased only in construction. The overall solvency of enterprises (SR) increased in transportation and warehousing, as well as the mining industry, while it remained at the previous level in construction.

* 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)
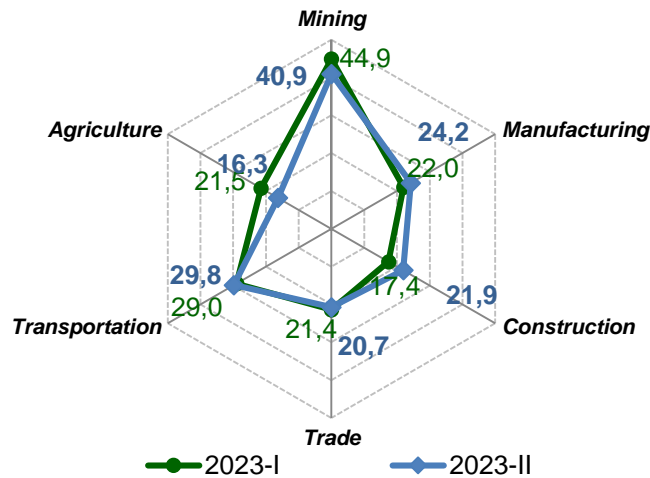
Chart 25. Return on sales *,%

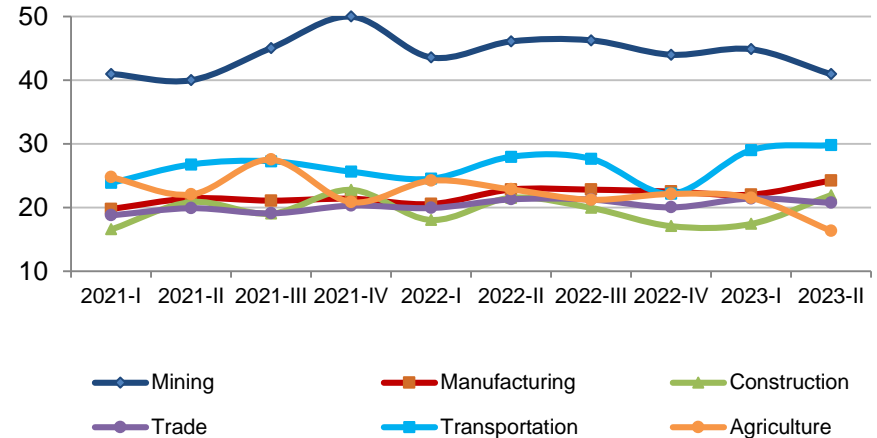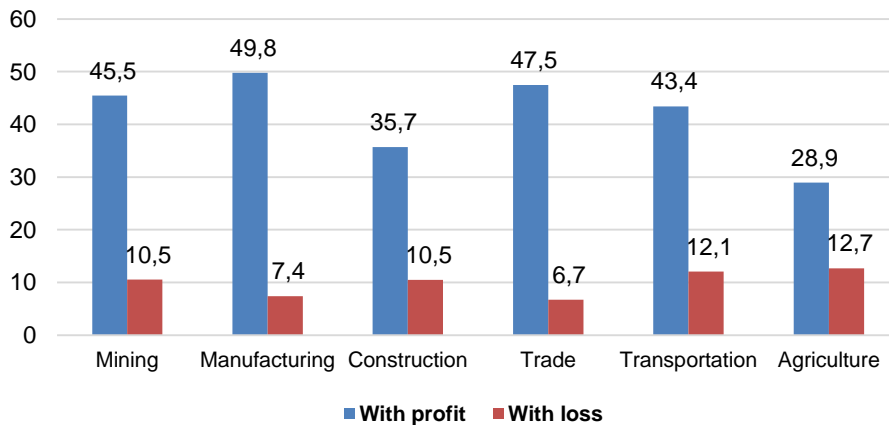**Chart 26. Dynamics of sales profitability *,%**

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

Return on sales (before tax, interest and depreciation) increased in Q2 of 2023 in the manufacturing industry, construction, as well as transportation and warehousing. The indicator in the mining industry is significantly higher than in other industries.

The share of enterprises planning to close the financial year with **losses** is higher in agriculture (12.7%).

Among the enterprises planning to close the financial year with a profit, the most optimistic estimates are in the manufacturing industry (49.8%) and trade (47.5%).

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

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

Assessment of performance indicators of enterprises:
Debt burden in industries

The situation with overdue debt outside the banking sector, that is, mutual settlements with suppliers, contractors, customers, buyers, etc., has changed According to the results of Q2 of 2023, on average in the economy, the share of enterprises with overdue (more than 90 days) **receivables** decreased (from **23.0%** to **22.7%**), and those with overdue accounts **payables** remained at the same level (**21.4 %**).

In agriculture, manufacturing and construction, the share of enterprises with overdue receivables **has decreased.** The share of enterprises with overdue accounts payable **increased** in trade, construction, manufacturing and mining industries. The largest number of enterprises with overdue receivables and payables is in the mining industry (**26.8%** and **32.1%**, respectively).
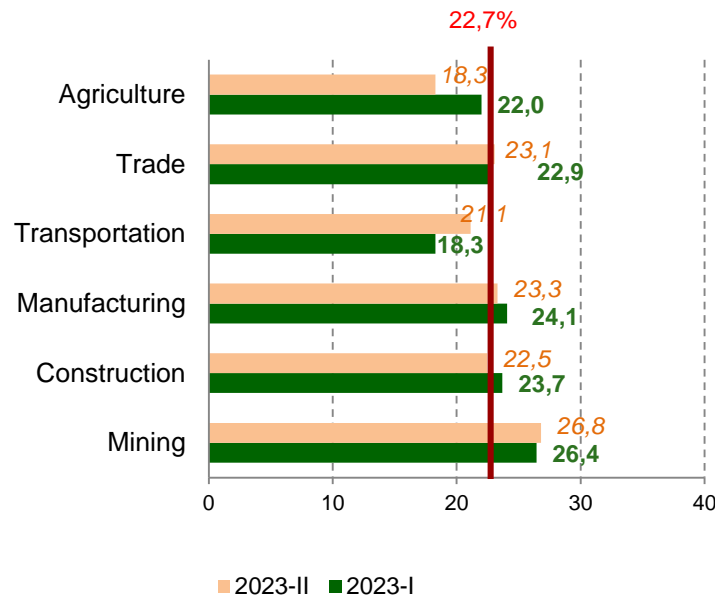
Chart 28. Overdue accounts receivable debt (%)

22,7%

Industry	2023-II	2023-I
Agriculture	18,3	22,0
Trade	23,1	22,9
Transportation	21,1	18,3
Manufacturing	23,3	24,1
Construction	22,5	23,7
Mining	26,8	26,4

■ 2023-II ■ 2023-I

Chart 29. Overdue payables debt (%)
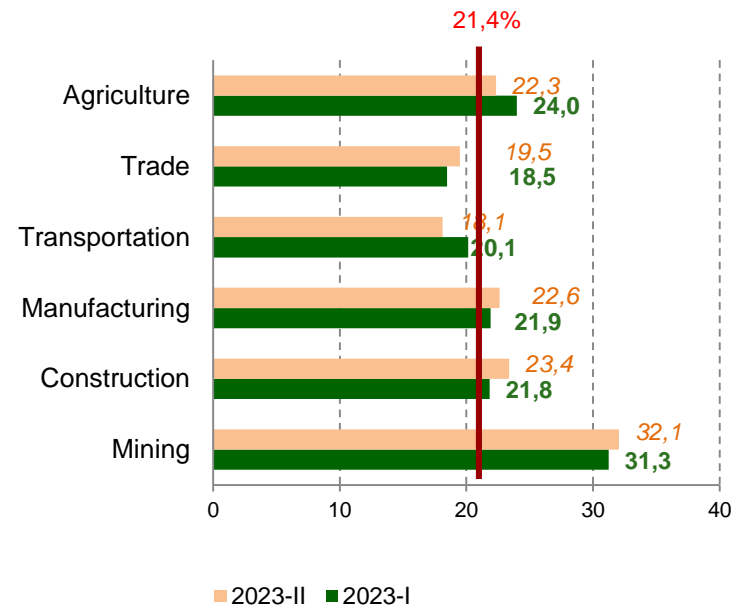
21,4%

Industry	2023-II	2023-I
Agriculture	22,3	24,0
Trade	19,5	18,5
Transportation	18,1	20,1
Manufacturing	22,6	21,9
Construction	23,4	21,8
Mining	32,1	31,3

■ 2023-II ■ 2023-I

Chart 30. Production volume dynamics[1], DI[2]

Legend: Mining, Manufacturing, Construction, Trade, Transportation, Agriculture
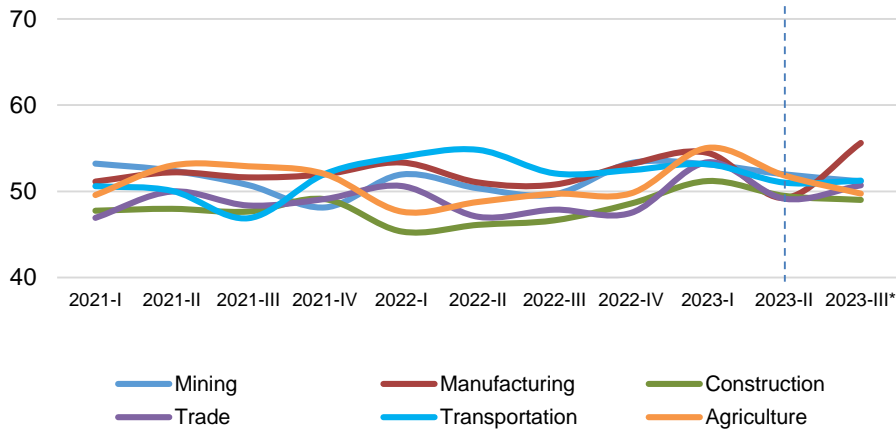
Chart 31. Number of employed dynamics[3], DI

Legend: Mining, Manufacturing, Construction, Trade, Transportation, Agriculture
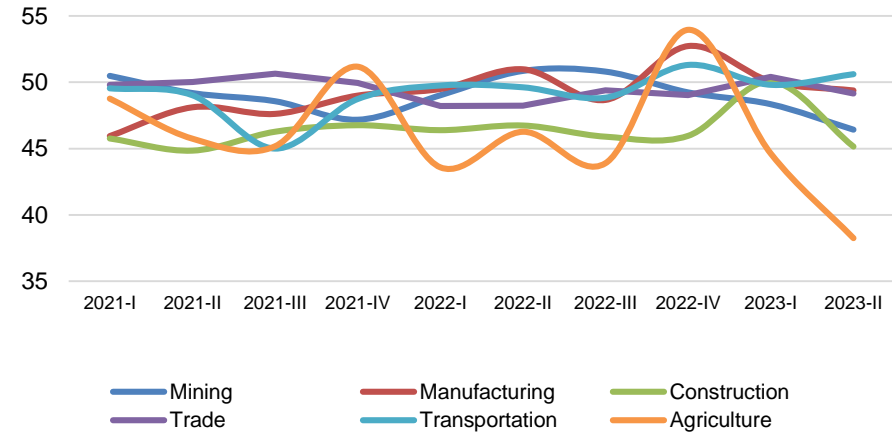
Chart 32. Dynamics of the share of enterprises that reduced average wages[4],%
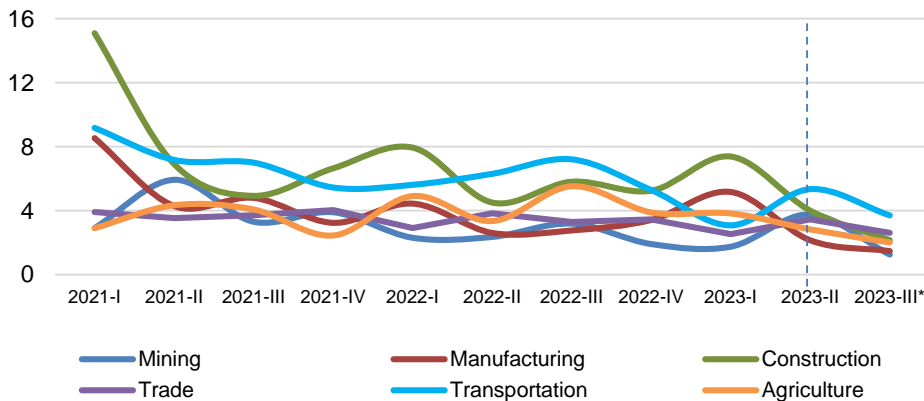
Legend: Mining, Manufacturing, Construction, Trade, Transportation, Agriculture

In Q2 of 2023 a decrease in production **volumes** was noted in all industries. In Q3 of 2023 an increase in production volumes is expected in the manufacturing industry, trade, as well as transportation and warehousing.

The number of people employed increased only in transportation and warehousing. In Q2 of 2023 the number of enterprises that **reduced the wages** of their employees in the mining industry, trade, as well as transportation and warehousing increased.

In Q3 of 2023 the situation with wages will improve in all industries.

[1] Seasonally adjusted data

[2] 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 Q3 of 2023

[3] Seasonally adjusted data (except manufacturing)

[4] Seasonally adjusted data (except manufacturing and construction)

- The highest **degree of competition still remains** in trade.

- Most enterprises indicate the **state of the economy of Kazakhstan** as the main obstacle in doing business.

- In Q2 of 2023 the negative impact of the change in the exchange rate of the tenge against the **Russian ruble** in the economy as a whole **decreased** (DI was 44.3) for enterprises in all industries. The negative impact of the change in the exchange rate of the tenge against the **US dollar** also **decreased** for enterprises of all industries (DI was 40.3).

- The main currencies used in settlements with foreign partners are the Russian ruble and the US dollar. The Russian ruble dominates in all sectors except mining, where the US dollar dominates.

- In Q2 of 2023 a decrease in production **volumes** was noted in all industries. In Q3 of 2023 an increase in production volumes is expected in the manufacturing industry, trade, as well as transportation and warehousing. In Q2 of 2023 the level of **production capacity utilization increased** only in the mining industry, as well as transportation and warehousing.

- The highest level of **capacity utilization** remains in the mining industry (62.1%).

- In Q2 of 2023 there was a slowdown in the growth of **demand for finished products** in all sectors, except for agriculture and construction. The demand in construction deteriorated and moved into the negative area, while in agriculture it improved slightly, but is still in the negative are.

- The **return on sales** in Q2 of 2023 increased in the manufacturing industry, construction, and transportation and warehousing. The indicator in the mining industry is significantly higher than in other industries.

- The share of enterprises with overdue (more than 90 days) **accounts receivable** decreased (from **23.0%** to **22.7%**), while those with overdue **accounts payable** remained at the same level (**21.4%**).

- A slowdown in the growth of **prices for raw materials** in Q2 of 2023 was noted in all industries. The growth rate of **prices for finished products** also slowed down in all sectors, except for agriculture (worsened and moved into the negative area).

- In Q3 of 2023 a slowdown in the growth rate of **prices for raw materials and finished products** is expected in all sectors, except for prices for finished products in agriculture and manufacturing industries (growth).