

SECTORAL MARKET REVIEW

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

Q3 2023



**Monetary Policy Department
National Bank of Kazakhstan**

General

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- credit conditions (p. 7-8)

II. Assessment of performance indicators of enterprises

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- financial performance of enterprises (p. 11-13)
- debt burden in industries (p. 14)
- production and labor costs (p. 15)

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Survey details

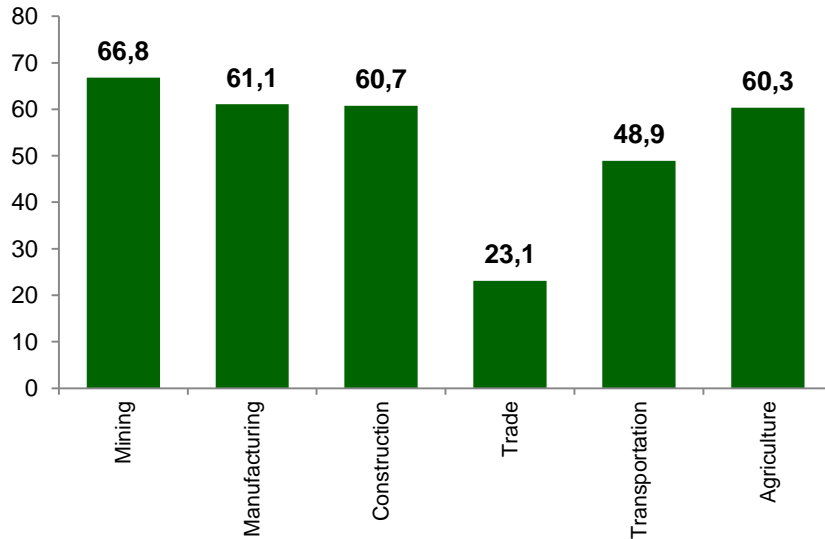
The purpose of the survey	➤ Identification of the main trends in the business environment in industries
Respondents	➤ Heads of enterprises, employees of financial departments
Survey method	➤ Questionnaire
Period of the survey	➤ 3Q 2023
Total monitoring participants	➤ 3373

Sample details

Mining	➤ 211
Manufacturing	➤ 750
Construction	➤ 326
Trade	➤ 948
Transport and warehouse	➤ 270
Agriculture	➤ 194
Total respondents in the sample	➤ 2 699

Assessing Economic Conditions: Competitive Environment

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



In Q3 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 **39.3%** of enterprises feel its impact on their business.

In the **manufacturing** industry, the share of such enterprises reached **34.8%**, in **transport and warehousing** – **28.9%**, in **construction** – **22.4%**, in **agriculture and mining industry** – **17.5%** each.

The sample of the **mining** industry is mainly represented by large and medium-sized enterprises (**66.8%**), 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.

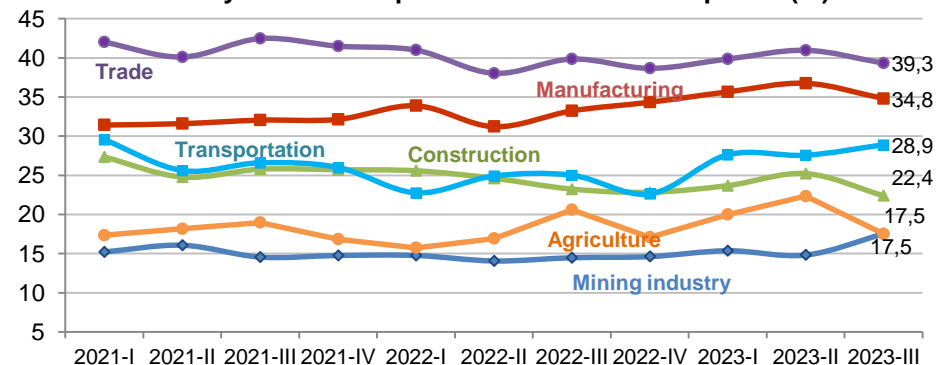
Large and medium-sized enterprises in the **manufacturing** industry make up **61.1%** of the total number of surveyed enterprises in the industry. The largest volumes in the industry are produced by enterprises of the metallurgical industry.

Large and medium-sized enterprises prevail also in **construction** and **agriculture** (**60.7%** and **60.3%**, respectively).

In **transportation** and **warehousing**, almost half of the sample is represented by large and medium-sized enterprises (**48.9%**), 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 (**23.1%**).

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



Assessment of Economic Conditions: Conditions for Investment Activity

Chart 3. Restrictions on investment activity of enterprises

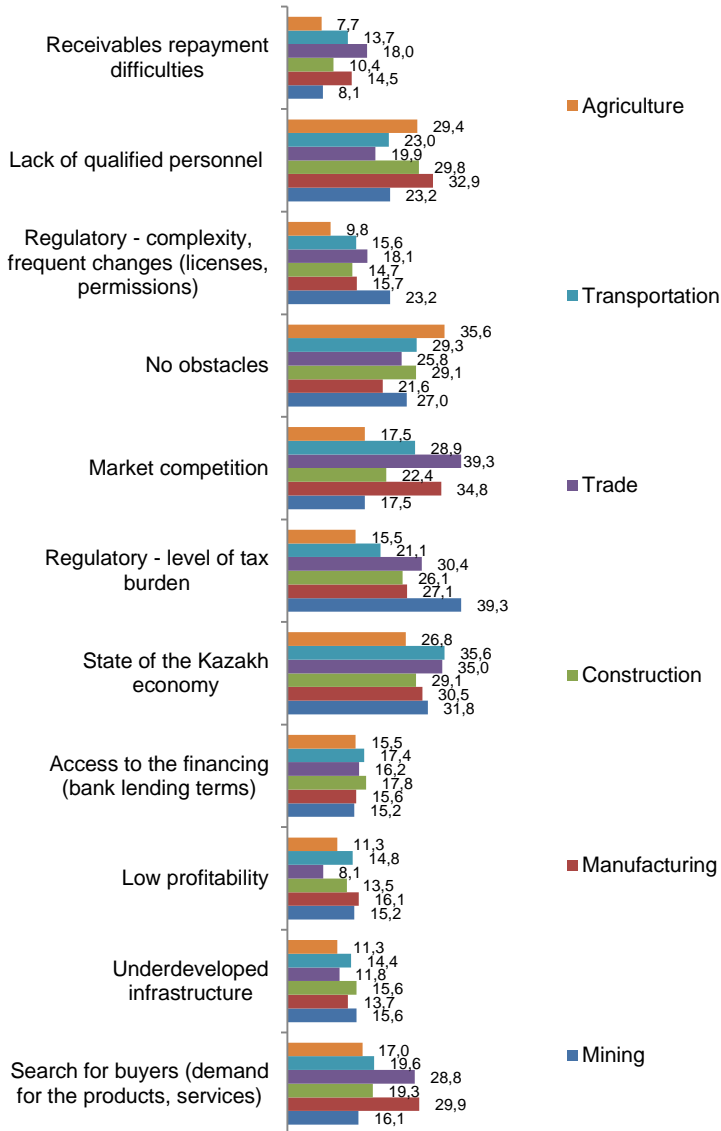
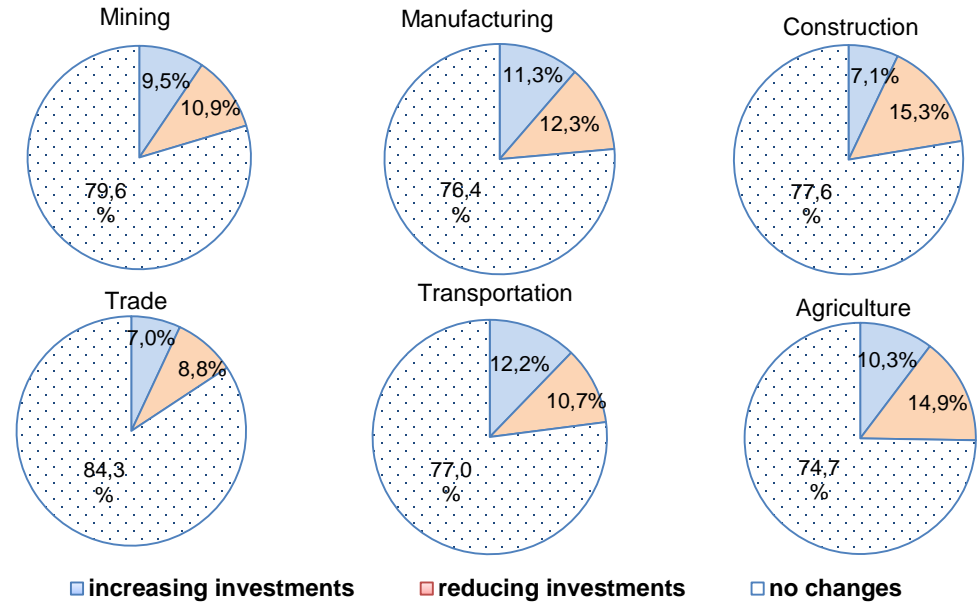


Chart 4. Expectations of enterprises for changes in investments in the next 12 months, %



In Q3 of 2023, according to many enterprises, the **state of the economy** of Kazakhstan turned out to be the main obstacle in conducting business.

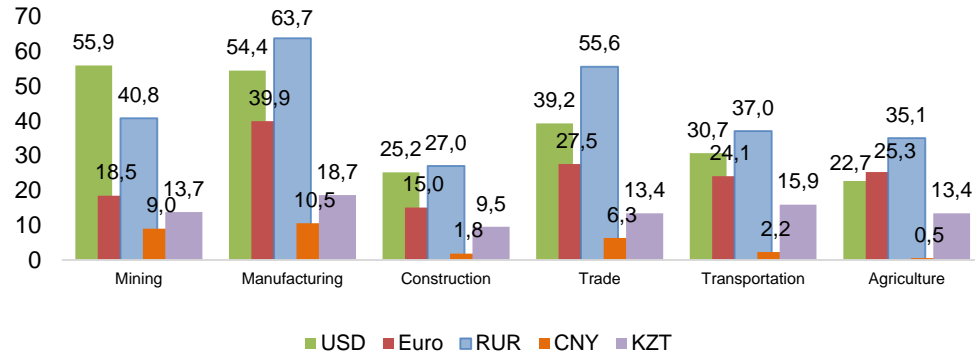
The main obstacle for trade and manufacturing enterprises is **market competition**, and for transport and warehousing enterprises - the **state of the economy**. The dominant obstacle for construction and agricultural enterprises is the **lack of qualified personnel**, and for the mining industry -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

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, the share of enterprises planning to reduce investments is greater than the share of those planning to increase them. In all industries under consideration, except transport and warehousing, the share of enterprises planning to reduce investments is greater than the share planning to increase them.

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

Assessing Economic Conditions: Impact of the Exchange Rate

**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 Q3 of 2023 was mostly used by enterprises of the manufacturing industry – 18,7%.

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)

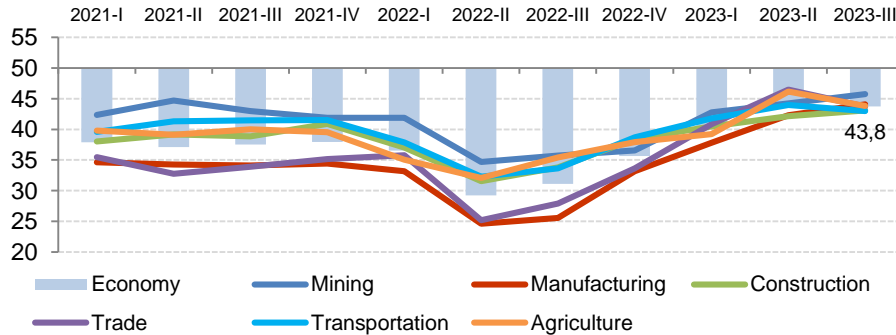
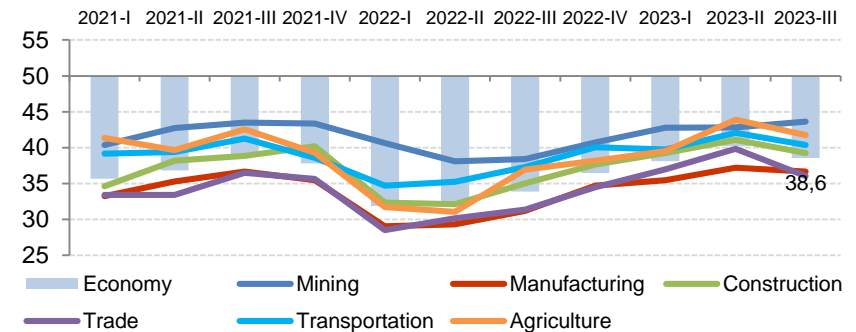


Chart 7. Impact of changes in the exchange rate of the tenge against the Russian ruble on the activities of the enterprise (DI * by industry for the quarter)



In Q3 of 2023 the negative impact of the tenge to **Russian ruble** exchange rate increased slightly for trade, transport and warehousing, as well as agriculture. The negative impact of the exchange rate of the tenge to the **US dollar** also **increased slightly** for enterprises in all industries, except the mining industry (DI was 43.6).

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

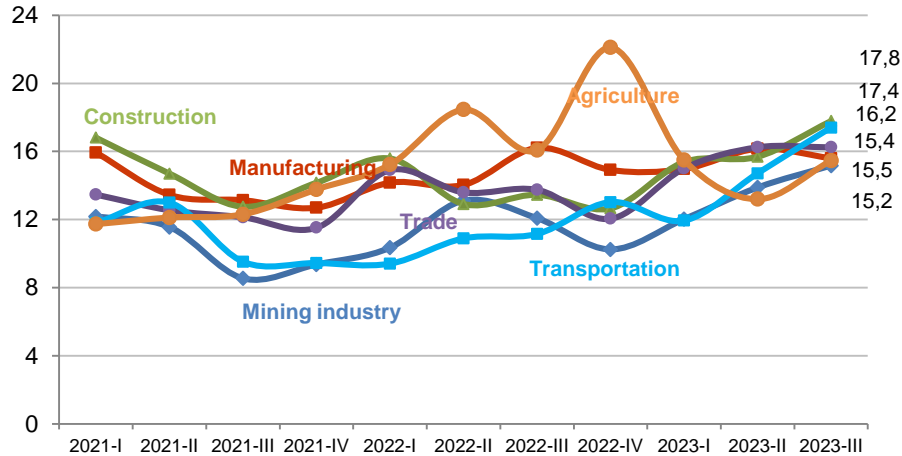


Chart 9. Companies intending to apply for a loan in Q3 of 2023 and in Q4 of 2023, %

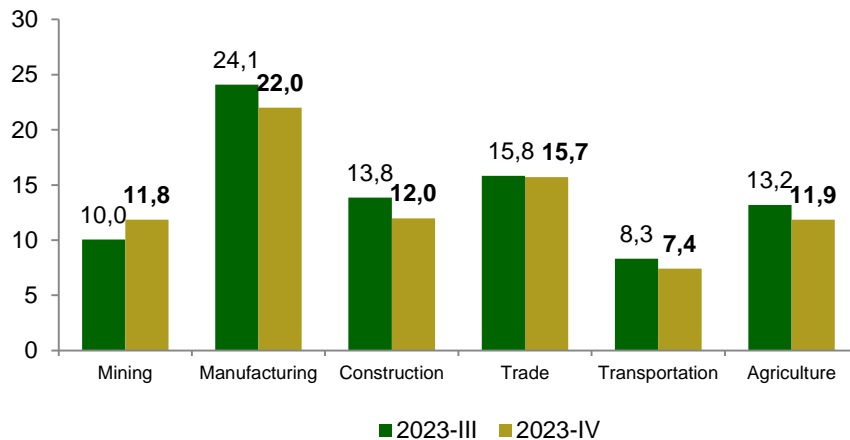


Table 1. Average lending rates,%

	In tenge		In foreign currency	
	in fact	preferred	in fact	preferred
Mining	18,2	5,2	5,7	2,4
Manufacturing	16,0	6,3	5,0	3,0
Construction	19,2	6,8	4,8	2,3
Trade	18,6	8,1	4,8	3,5
Transportation	18,6	7,4	5,5	3,5
Agriculture	16,2	7,0	5,0	3,1

In Q3 of 2023 the share of enterprises for which the conditions of bank lending are unacceptable increased in all sectors, except for manufacturing and trade. The largest number of enterprises for which lending conditions are unacceptable relates to construction (17.8%), and the smallest - mining industry (15.2%).

The highest interest rates on loans received in tenge (19.2% and 18.6%) were recorded in construction, trade, transport and warehousing, and in foreign currency - in mining industry (5.7%). The largest share of enterprises intending to take out a loan in Q4 of 2023 falls on manufacturing industry (22.0%), and the smallest in transport and warehousing industry (7.4%).

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

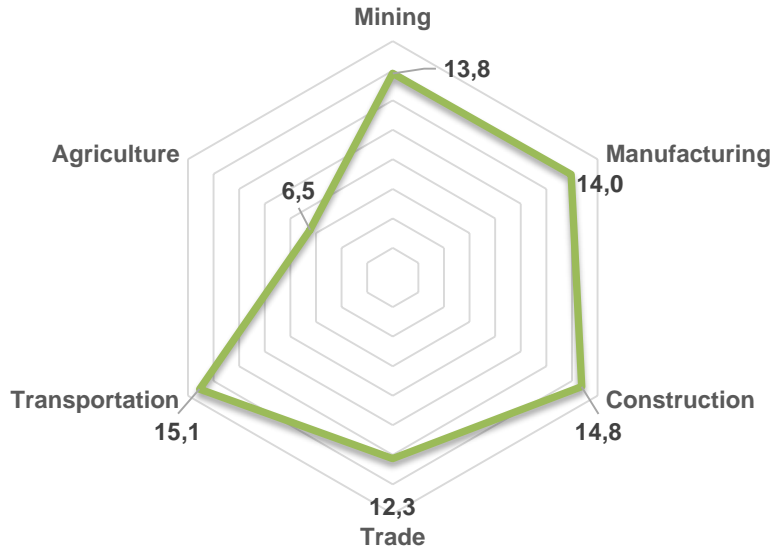


Chart 11. The share of enterprises with overdue * debt on bank loans,%**

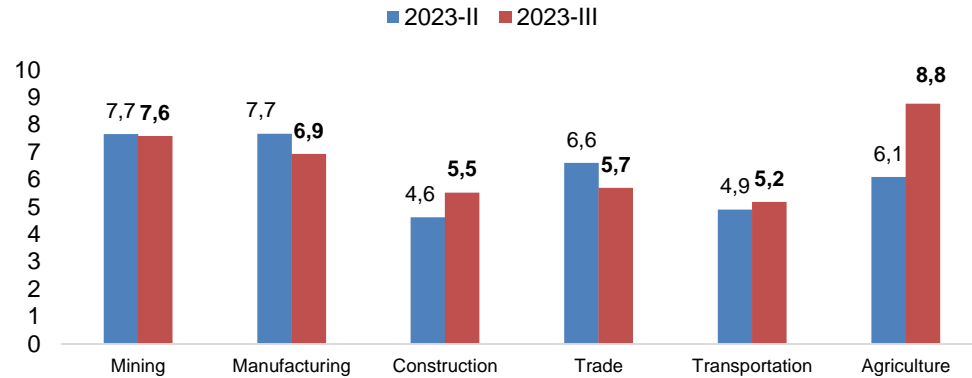
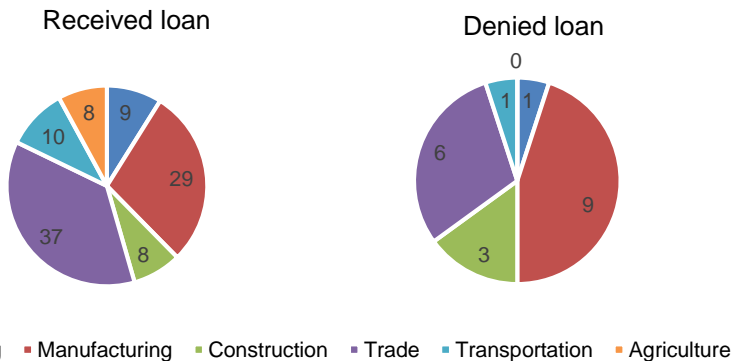


Chart 12. Results for consideration of loan applications, number



In Q3 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 (6.5%).

The share of enterprises with overdue debt on bank loans increased only in agriculture, construction, as well as in transport and warehousing.

In Q3 of 2023 **20 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

Assessment of performance indicators of enterprises:

Chart 13. Mining industry, DI*

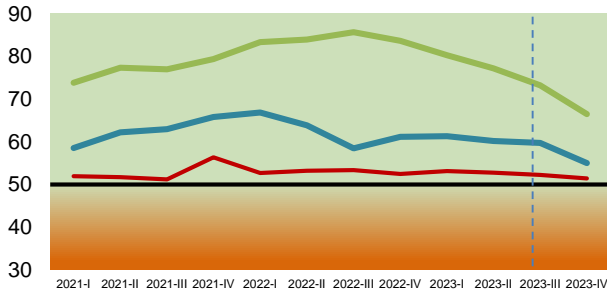


Chart 14. Manufacturing, DI*

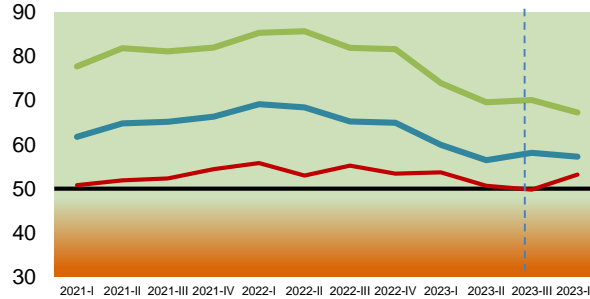


Chart 15. Construction, DI*

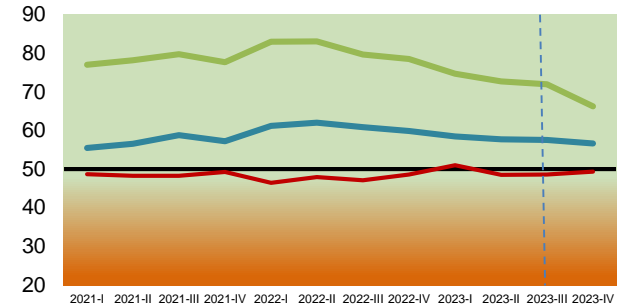


Chart 16. Trade, DI*

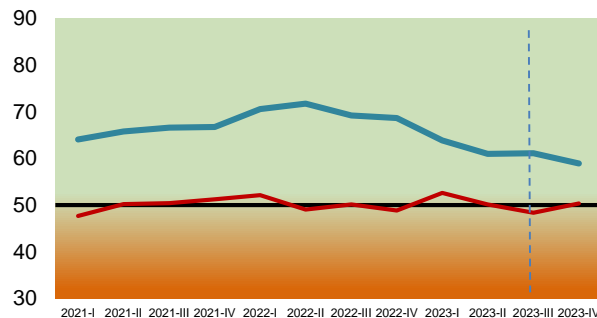


Chart 17. Transportation and warehousing, DI*

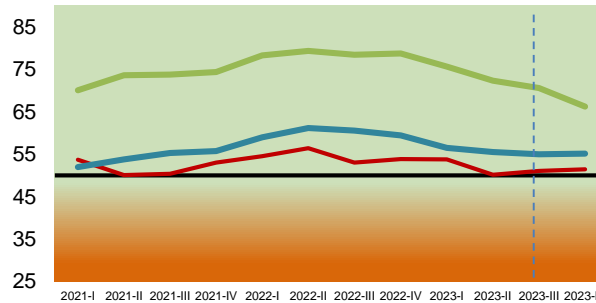
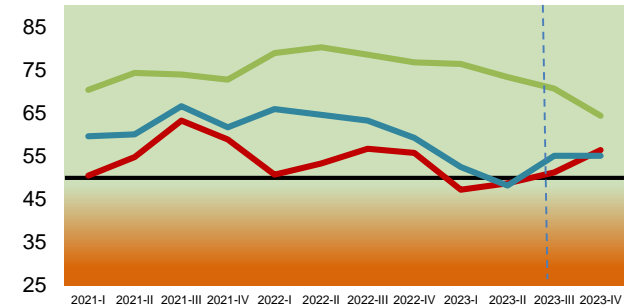


Chart 18. Agriculture, DI*



— Demand

— Production prices

— Prices for raw materials

In Q3 of 2023 there was an increase in **demand for finished products** only in agricultural sectors, as well as transport and warehousing. In Q4 of 2023 the situation with demand is expected to improve in all industries, except the mining industry (a slight slowdown).

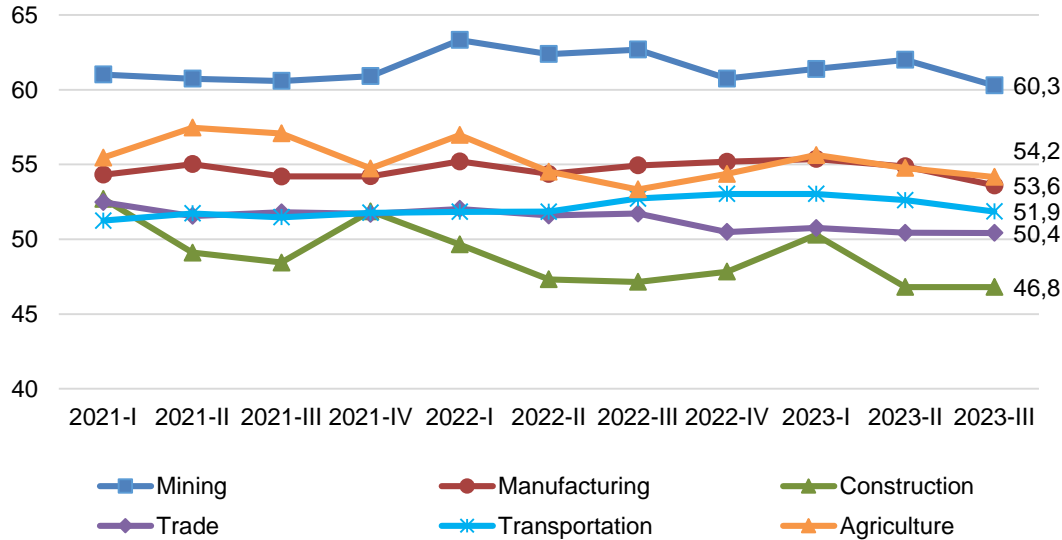
The slowdown in the growth of **prices for raw materials and materials** in Q3 of 2023 was noted in all industries, except the manufacturing industry. The growth rate of **prices for finished products** also slowed down in all industries, except for manufacturing and trade. In Q4 of 2023 the rate of growth of **prices for raw materials and materials** is expected to slow down in all industries, while the growth rate of **prices for finished products** will also slow down, with the exception of the agriculture, transport and warehousing.

* 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

Assessment of performance indicators of enterprises: Capacity utilization rate

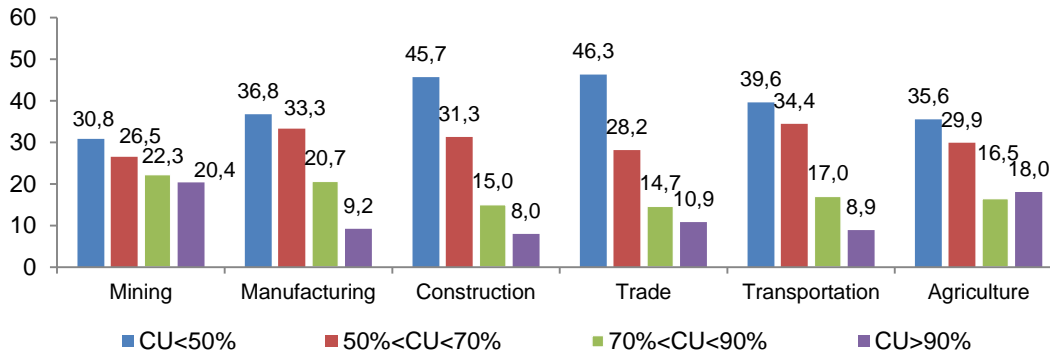
Chart 19. Weighted average* utilization of production capacities by industry, %



In Q3 of 2023 the weighted average **capacity utilization (CU)** decreased in all industries, except construction and trade (the indicators remained the same). 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 (60.3%).

Chart 20. The level of utilization of production capacities in the 3rd 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.

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	1,32	1,60	0,21	42,2	0,49	51,4
Manufacturing	1,54	1,51	0,25	24,0	0,40	65,8
Construction	1,14	1,15	0,26	21,1	0,23	72,0
Trade	1,19	1,32	0,40	22,2	0,29	81,7
Transportation	1,28	1,73	0,18	26,9	0,47	40,2
Agriculture	1,64	1,35	0,08	10,7	0,44	52,7

The main indicators of the financial and economic activity of enterprises in Q3 of 2023 were as follows:

- agricultural enterprises have the highest liquidity (**CLR=1.64**);
- transportation and warehousing enterprises are considered the most solvent (**SR=1.73**);
- business activity in trade is significantly higher than in other industries (**ATR=0.40**);
- mining industry enterprises remain the most profitable (**ROS=42.2%**), agricultural companies remain the least profitable (**ROS=10.7%**);
- the possibility of financing investments at the expense of own funds in the mining industry is higher than in other industries (**SFR=0.49**);
- most of the assets of trade enterprises are current assets (**SWCA=81.7%**).

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

Assessment of enterprises performance indicators: Financial performance of enterprises

Chart 21. Current liquidity ratio dynamics

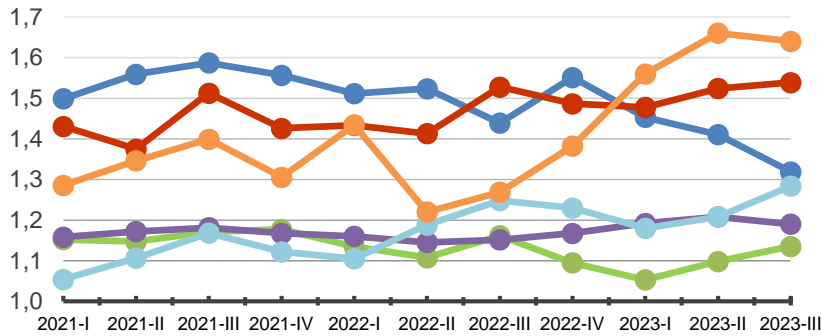


Chart 23. Self-financing ratio dynamics (SFR)

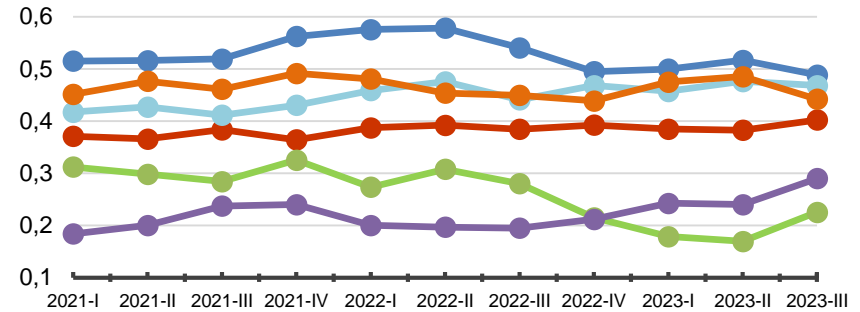


Chart 22. Asset turnover ratio dynamics (ATR)

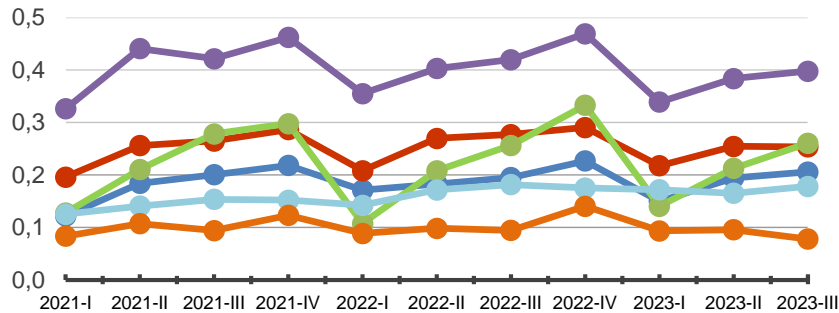
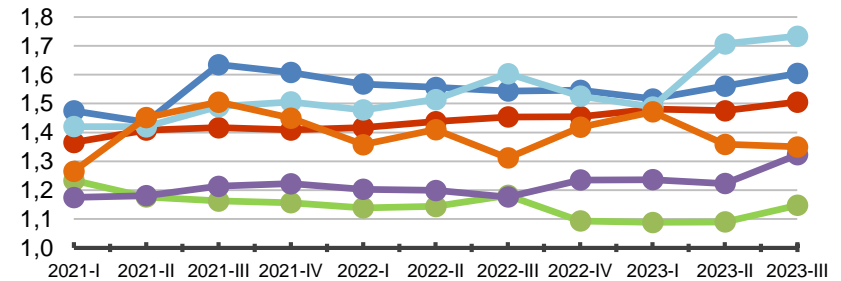


Chart 24. Overall solvency ratio dynamics



— Mining — Manufacturing — Construction

— Trade — Transportation — Agriculture

In Q3 of 2023 the ability of enterprises to repay their short-term obligations improved (CLR increased) only in manufacturing, construction, transport and warehousing. There is an increase in business activity in all industries (ATR increased), except for agriculture and manufacturing.

The possibility to finance investments on own funds decreased in mining industry, transport and warehousing, and agriculture. The overall solvency of enterprises (SR) increased in all sectors except agriculture.

* 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 performance indicators of enterprises:

Financial performance of enterprises

Chart 25. Return on sales *, %

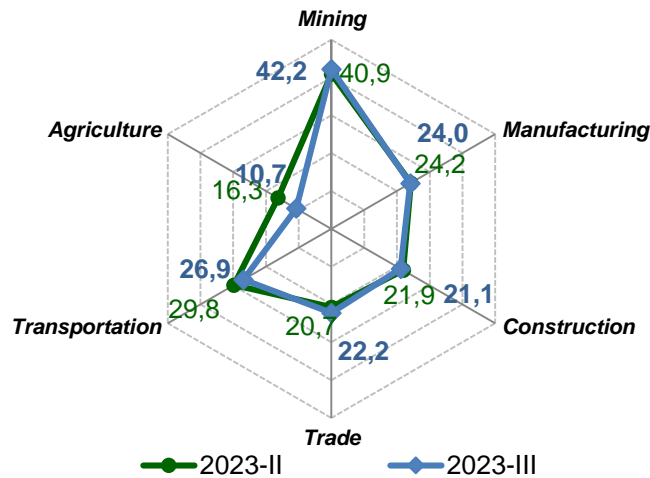


Chart 26. Dynamics of sales profitability *, %

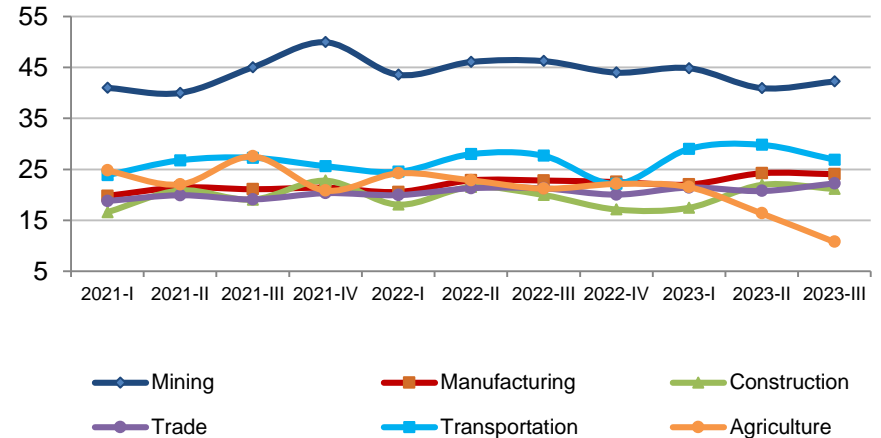
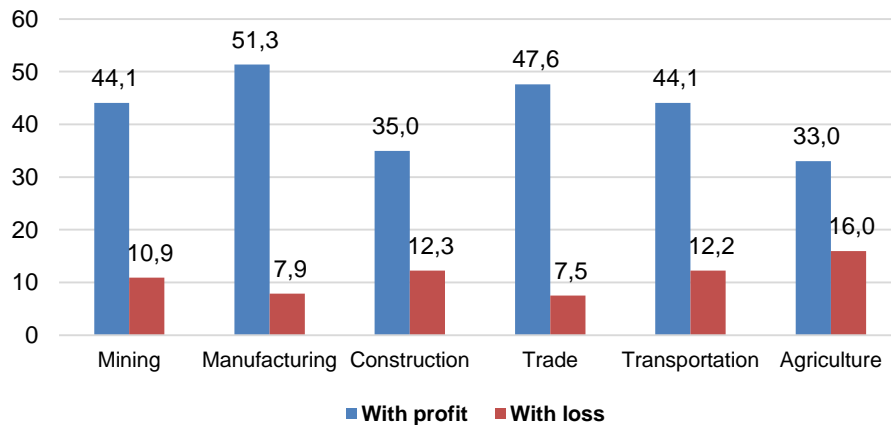


Chart 27. The share of enterprises planning to end the financial year with profit / loss, %



Return on sales (before tax, interest and depreciation) improved in Q3 of 2023 in mining industry and trading. 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 (16.0%).

Among the enterprises planning to close the financial year with a profit, the most optimistic estimates are in the manufacturing industry (51.3%) and trade (47.6%).

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 Q3 of 2023, on average in the economy, the share of enterprises with overdue (more than 90 days) **receivables** increased (from **22.7%** to **22.9%**), and those with overdue accounts **payables** remained at the same level (**21.4%**).

In agriculture, manufacturing and mining industries, the share of enterprises with overdue receivables **has increased**. The share of enterprises with overdue accounts payable **increased** in agriculture, transport and warehousing. The largest number of enterprises with overdue receivables and payables is in the mining industry (**28.4%** and **31.3%**, respectively).

Chart 28. Overdue accounts receivable debt (%)

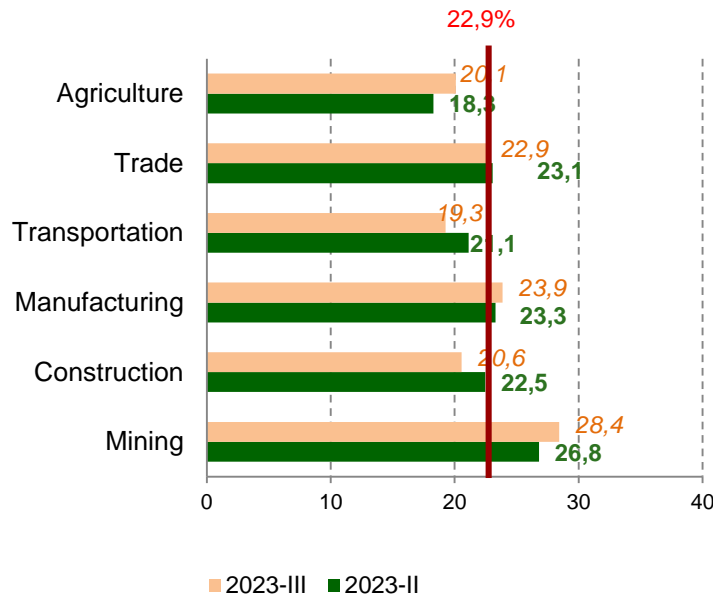
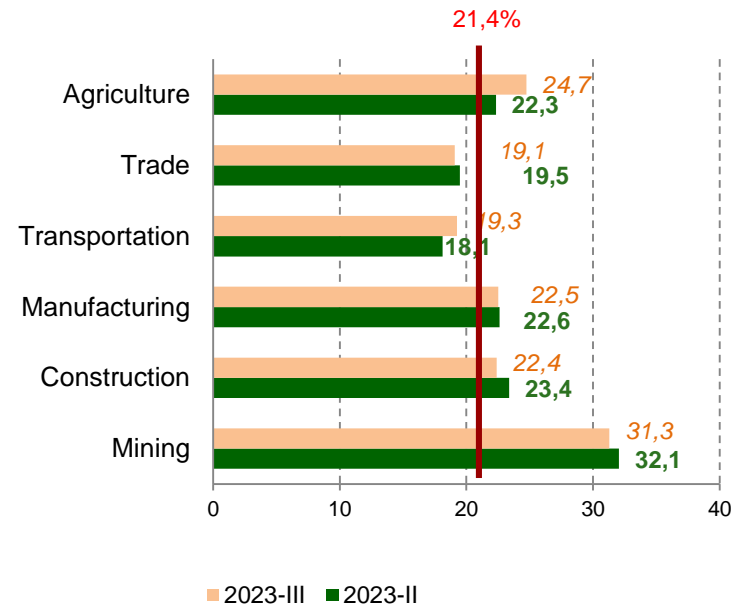


Chart 29. Overdue payables debt (%)



Assessment of performance indicators of enterprises: Production volumes and expenses for work force

Chart 30. Production volume dynamics¹, DI²

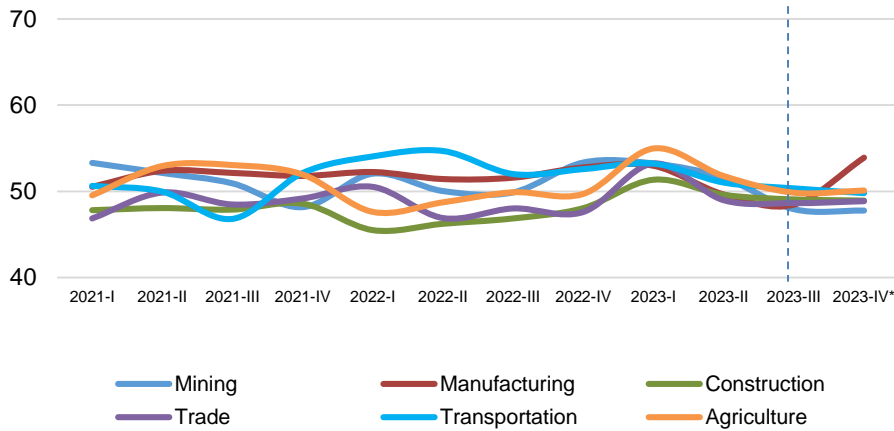


Chart 31. Number of employed dynamics³, DI

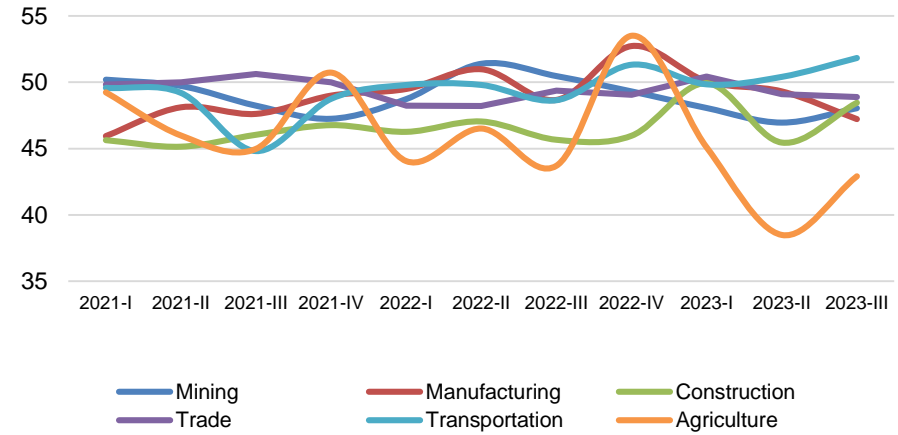
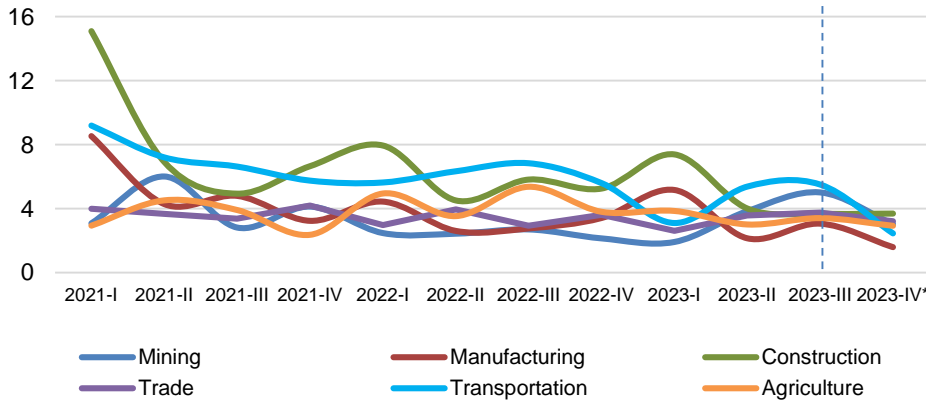


Chart 32. Dynamics of the share of enterprises that reduced average wages⁴, %



In Q3 of 2023 a decrease in production **volumes** was noted in all industries. In Q4 of 2023 an increase in production volumes is expected in manufacturing, trade and agriculture.

The number of people employed increased in all sectors except manufacturing and trade. In Q3 of 2023 the number of enterprises that **reduced the wages** of their employees in all industries except construction increased. In Q4 of 2023 the situation with wages will improve in all industries except construction (the indicator will not change).

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 Q3 of 2023 the negative impact of the change in the exchange rate of the tenge against the **Russian ruble** increased slightly for enterprises in the trade, transport and warehousing industries, as well as agriculture. The negative impact of the change in the exchange rate of the tenge against the **US dollar** also **increased** slightly for enterprises in all industries except the mining industry (DI was 43.6).
- 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 Q3 of 2023 a decrease in production **volumes** was noted in all industries. In Q4 of 2023 an increase in production volumes is expected in the manufacturing industry, trade, as well as agriculture. In Q3 of 2023 the level of **production capacity utilization decreased** in a number of industries, except for construction and trade (indicators remained the same)
- The highest level of **capacity utilization** remains in the mining industry (60.3%).
- In Q3 of 2023 there was an increase in **demand for finished products** only in agriculture, as well as transport and warehousing.
- The **return on sales** in Q3 of 2023 increased in mining and trade. 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** increased (from **22.7%** to **22.9%**), while those with overdue **accounts payable** remained at the same level (**21.4%**).
- A slowdown in the growth of **prices for raw materials** in Q3 of 2023 was noted in all industries, except the manufacturing industry. The growth rate of **prices for finished products** also slowed down in all sectors, except for manufacturing and trade.
- In Q4 of 2023 the growth rate of prices for **raw materials** and **materials** is expected to slow down in all industries, while the growth rate of prices for finished products will also slow down, with the exception of the agriculture, transport and warehousing.