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

Q4 2023

Monetary Policy Department
National Bank of Kazakhstan

General

I. Assessment of economic conditions:

- **competitive environment (p. 4)**

- **conditions for investment activity (p. 5)**

- **the effect of the exchange rate (p. 6)**

- **credit conditions (p. 7-8)**

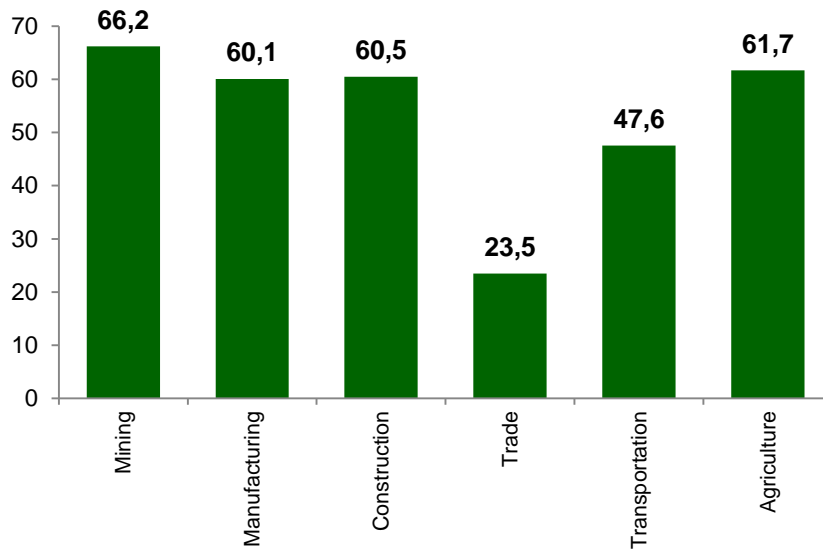**II. Assessment of performance indicators of enterprises**

- **dynamics of demand and prices (p. 9)**

- **capacity utilization (p. 10)**

- **financial performance of enterprises (p. 11-13)**

- **debt burden in industries (p. 14)**

- **production and labor costs (p. 15)**

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	➢ 4Q 2023
Total monitoring participants	➢ 3386
Sample details	
Mining	➢ 216
Manufacturing	➢ 764
Construction	➢ 324
Trade	➢ 933
Transport and warehouse	➢ 269
Agriculture	➢ 188
Total respondents in the sample	➢ 2 694

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

The sample of the **mining** industry is mainly represented by large and medium-sized enterprises (**66.2%**), 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.
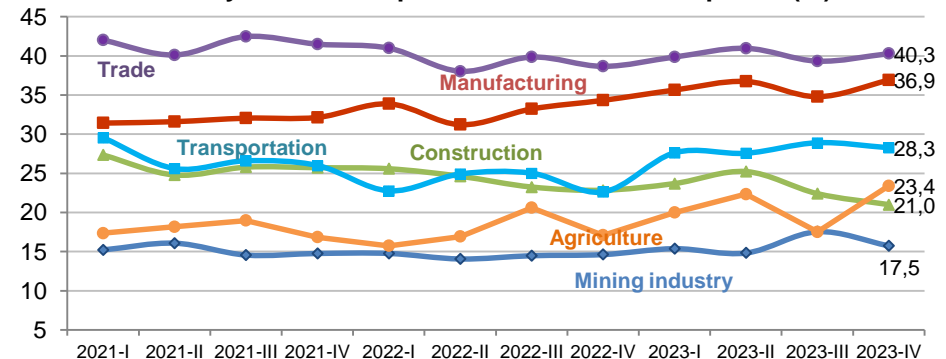
Large and medium-sized enterprises in the **manufacturing** industry make up **60.1%** of the total number of surveyed enterprises in the industry. The largest volumes in the industry are produced by enterprises of the metallurgical industry.

Large and medium-sized enterprises prevail also in **agriculture** and **construction** (**61.7%** and **60.5%**, respectively).

In **transportation** and **warehousing**, almost half of the sample is represented by large and medium-sized enterprises (**47.6%**), 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 general population, is low (**23.5%**).

In Q4 of 2023 the importance of competition increased in trade, manufacturing and agriculture.

Trade remains the industry most affected by market competition, with **40.3%** of enterprises feel its impact on their business.

In the **manufacturing** industry, the share of such enterprises reached **36.9%**, **transportation and warehousing** – **28.3%**, **agriculture** – **23.4%**, **construction** – **21.0%**, and in the **mining industry** – **15.7%**.

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

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

Receivables repayment difficulties
- 12,8
- 14,1
- 20,0
- 12,0
- 15,7
- 8,3

Lack of qualified personnel
- 33,5
- 21,9
- 20,0
- 31,2
- 34,4
- 25,0

Regulatory - complexity, frequent changes (licenses, permissions)
- 12,2
- 15,6
- 18,3
- 17,0
- 16,1
- 24,5

No obstacles
- 31,4
- 33,8
- 23,2
- 28,4
- 21,3
- 25,5

Market competition
- 23,4
- 28,3
- 40,3
- 21,0
- 36,9
- 15,7

Regulatory - level of tax burden
- 18,6
- 17,5
- 33,0
- 31,2
- 26,8
- 39,4

State of the Kazakh economy
- 30,3
- 30,9
- 34,0
- 28,4
- 31,0
- 33,8

Access to the financing (bank lending terms)
- 14,9
- 14,5
- 14,7
- 17,3
- 17,5
- 16,7

Low profitability
- 15,4
- 14,9
- 8,9
- 11,4
- 17,3
- 17,1

Underdeveloped infrastructure
- 12,2
- 15,6
- 14,4
- 14,5
- 13,4
- 18,5

Search for buyers (demand for the products, services)
- 16,5
- 18,6
- 29,9
- 20,4
- 32,5
- 19,9

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

Mining: 12,0% increasing, 10,2% reducing, 77,8% no changes

Manufacturing: 10,5% increasing, 12,0% reducing, 77,5% no changes

Construction: 12,0% increasing, 14,2% reducing, 73,8% no changes

Trade: 7,9% increasing, 9,0% reducing, 83,1% no changes

Transportation: 13,4% increasing, 10,0% reducing, 76,6% no changes

Agriculture: 11,2% increasing, 11,2% reducing, 77,7% no changes

Legend: ■ increasing investments ■ reducing investments □ no changes

In Q4 of 2023, according to many enterprises, in general, the main obstacle to doing business was the **state of the economy** of Kazakhstan.

The main obstacle for trade and manufacturing enterprises is **market competition.** The dominant obstacle for mining and construction enterprises is the **level of the tax burden**, for agricultural enterprises - 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. The main source of financing remains the enterprises' own funds.

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

Chart 5. Use of foreign currency in settlements (share of enterprises,%)
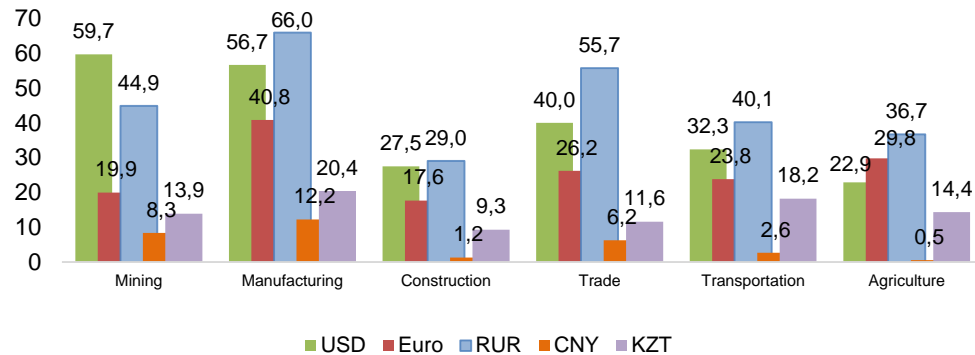
Legend: USD · Euro · RUR · CNY · KZT

The main currencies used in settlements with foreign partners remain the Russian ruble and the US dollar (with the exception of the agricultural sector - the Russian ruble and the euro predominate). The Russian ruble dominates in all industries, except mining industry (US dollar dominates).

Tenge in calculations in Q4 of 2023 was mostly used by enterprises of the manufacturing industry - 20.4%.

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)

Legend: Economy · Mining · Manufacturing · Construction · Trade · Transportation · Agriculture
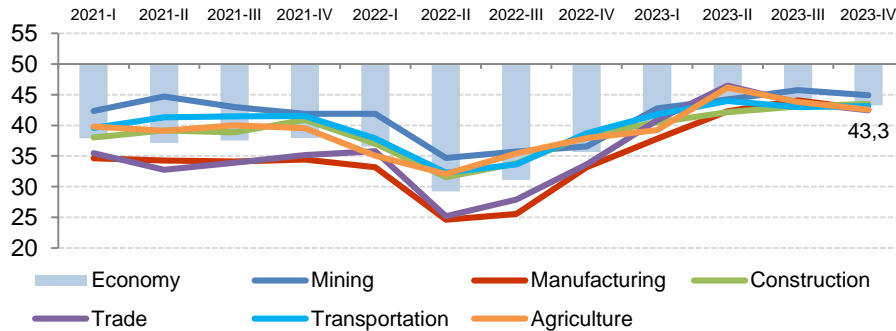
Chart 7. Impact of changes in the exchange rate of the tenge against the Russian ruble on the activities of the enterprise (DI by industry for the quarter)

Legend: Economy · Mining · Manufacturing · Construction · Trade · Transportation · Agriculture
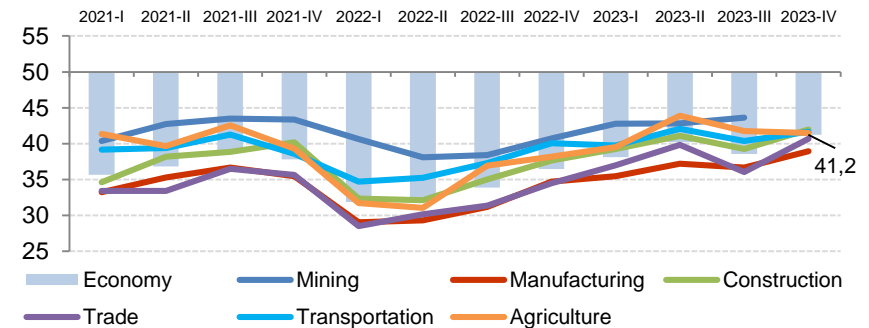
In Q4 of 2023 the negative impact of the tenge to **Russian ruble** exchange rate increased slightly for enterprises in all industries, except transport and warehousing, as well as construction. The negative impact of the exchange rate of the tenge to the **US dollar slightly mitigated** for enterprises in all industries, except agriculture.

* 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,%
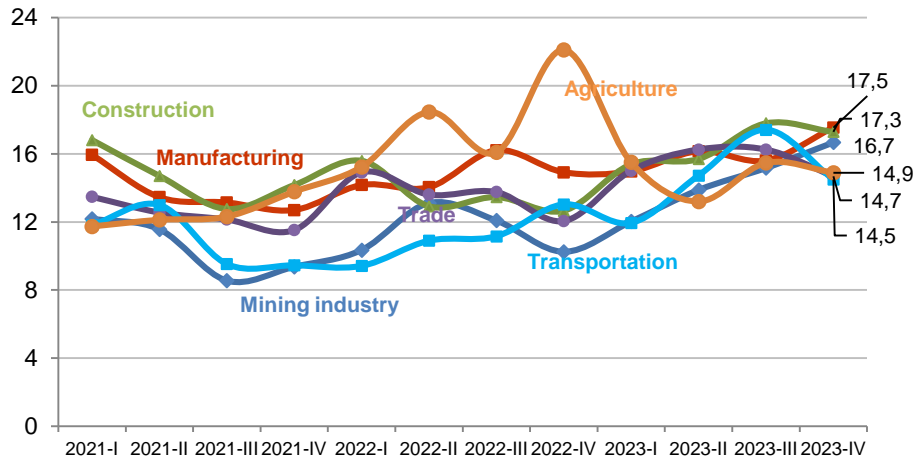

Table 1. Average lending rates,%

	In tenge		In foreign currency	
	in fact	preferred	in fact	preferred
Mining	18,0	5,5	5,5	2,2
Manufacturing	16,7	11,0	5,7	3,3
Construction	19,6	7,3	4,2	3,5
Trade	18,5	8,4	5,4	3,7
Transportation	18,5	6,4	6,4	3,3
Agriculture	16,8	6,6	0,0	3,1

Chart 9. Companies intending to apply for a loan in Q4 of 2023 and in Q1 of 2024, %

In Q4 of 2023 only in mining and manufacturing industries the share of enterprises for which bank lending conditions were unacceptable increased. The largest number of enterprises for which lending conditions are unacceptable relates to manufacturing industry (17.5%), and the smallest - transport and warehousing (14.5%).

The highest interest rate on loans received in tenge was noted in construction industry (19.6%), and in foreign currency - transport and warehousing (6.4%). The largest share of enterprises intending to take out a loan in Q1 of 2024 falls on manufacturing industry (23.8%), and the smallest in mining industry (8.3%).

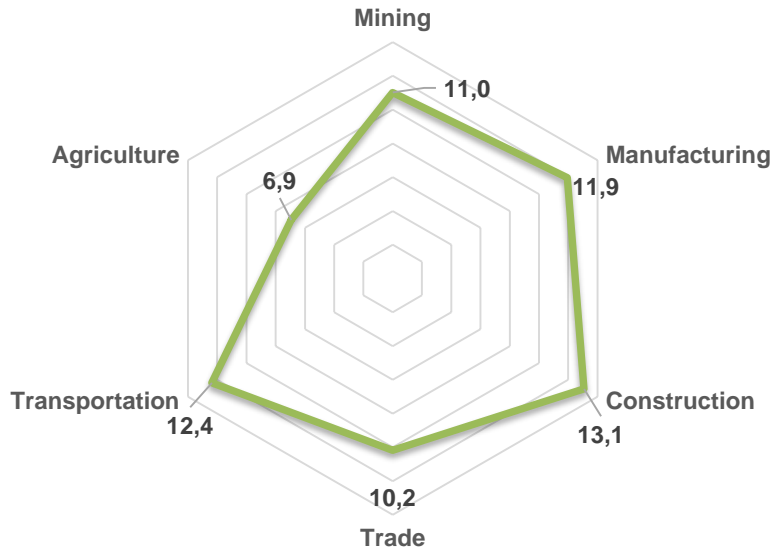**Chart 10. Weighted average* credit load **,%**

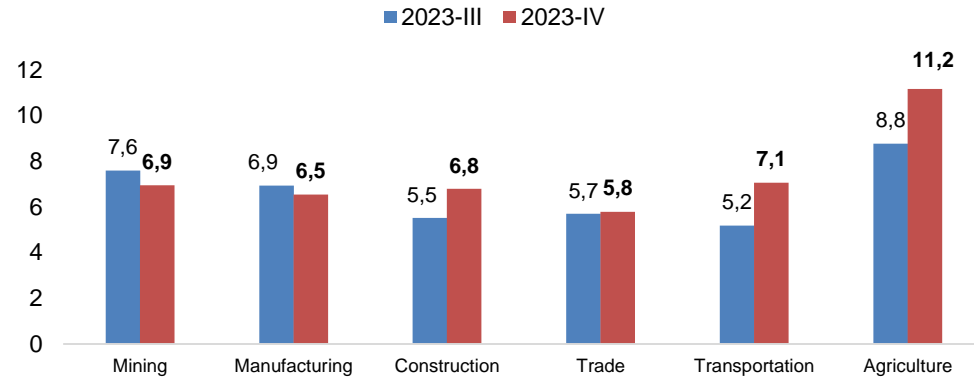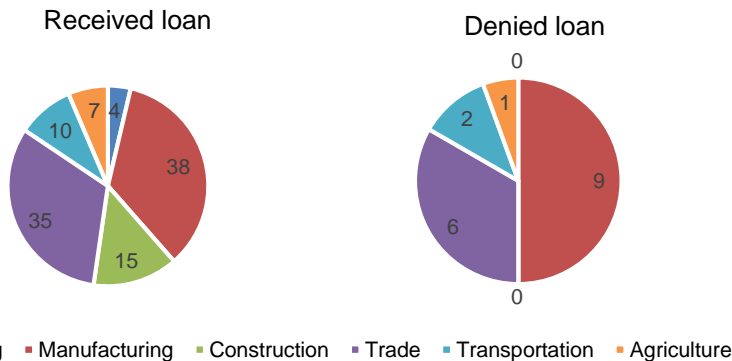**Chart 11. The share of enterprises with overdue *** debt on bank loans,%**

Chart 12. Results for consideration of loan applications, number

Received loan

Denied loan

▪ Mining ▪ Manufacturing ▪ Construction ▪ Trade ▪ Transportation ▪ Agriculture

In Q4 of 2023 the weighted average credit load in the construction industry was higher than in other industries. The lowest value of this indicator is observed in agriculture sector (**6.9%**).

The share of enterprises with overdue debt on bank loans increased in all industries, except mining and manufacturing industries.

In Q4 of 2023 **18 surveyed enterprises** from all industries 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:
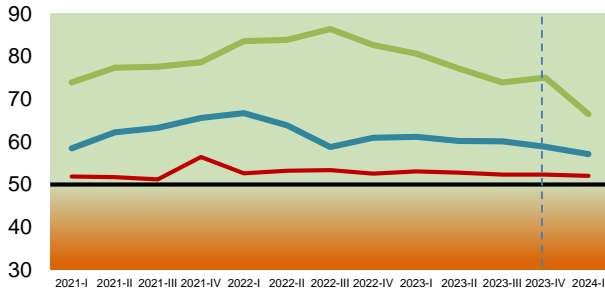
Chart 13. Mining industry, DI*
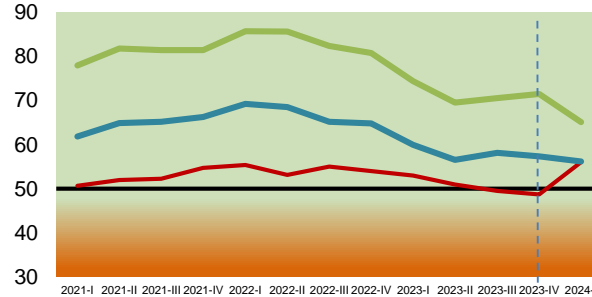
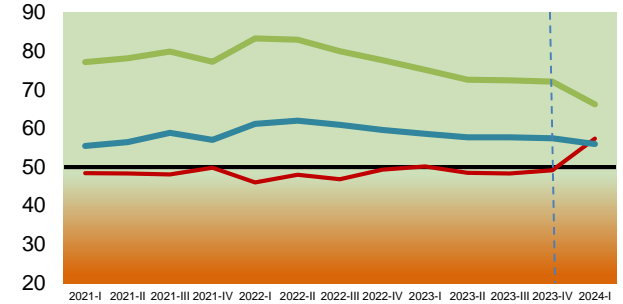**Chart 14. Manufacturing, DI***

Chart 15. Construction, DI*

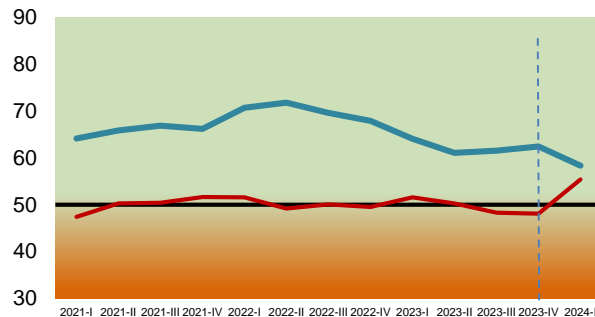**Chart 16. Trade, DI***

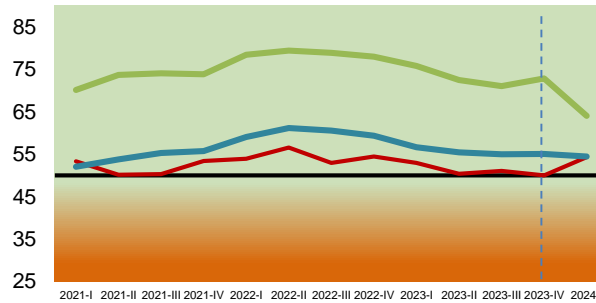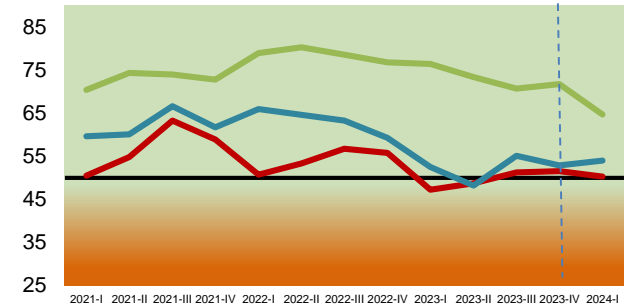**Chart 17. Transportation and warehousing, DI***

Chart 18. Agriculture, DI*

—— Demand   —— Production prices   —— Prices for raw materials

In Q4 of 2023 there was an increase in **demand for finished products in mining, construction and agriculture sectors**. In Q1 of 2024 the situation with demand is expected to improve in all industries, except mining and agriculture (a slight slowdown).

The slowdown in the growth of **prices for raw materials and materials** in Q4 of 2023 was noted only in construction industry. In addition, the growth rate of **prices for finished products** in all sectors, with the exception of transport and warehousing, and trade slowed down.

In Q1 of 2024 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 agricultural sector.

* 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 Q1 of 2024

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

Legend: Mining, Manufacturing, Construction, Trade, Transportation, Agriculture
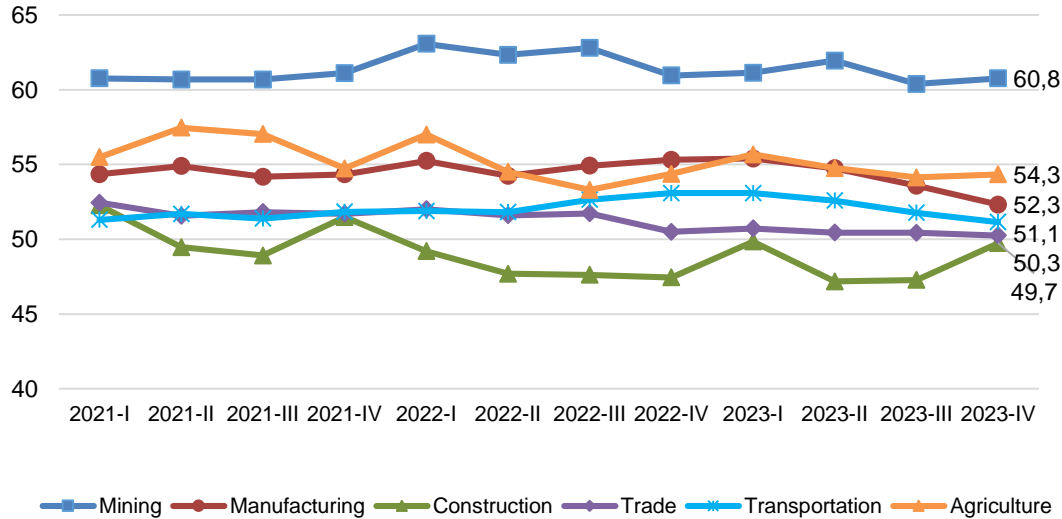
In Q4 of 2023 the weighted average **capacity utilization (CU)** decreased in the manufacturing, trade, transport and warehousing sectors. The best situation is in the mining industry, where the share of enterprises with maximum CU (**CU>=90%**) is greater than in other industries, and the share of enterprises with **CU<50%** is less than in others.

The highest level of CU is in the mining industry (60.8%).

Chart 20. The level of utilization of production capacities in the 4th quarter of 2023, the share of enterprises in %

Legend: CU<50%, 50%<CU<70%, 70%<CU<90%, CU>90%
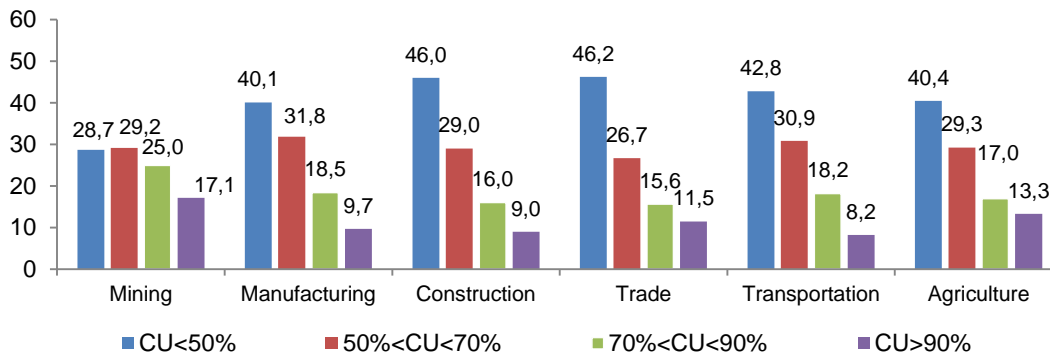
* The arithmetic weighted average is the average value of the interval, weighted by the share of answers to the question about the level of utilization of production facilities.

Table 2. Median* value of main indicators

	CLR	SR	ATR	ROS**, %	SFR	SWCA, %
Mining	1,40	1,56	0,20	39,4	0,51	51,9
Manufacturing	1,48	1,53	0,25	22,0	0,41	64,0
Construction	1,09	1,18	0,34	20,5	0,21	69,5
Trade	1,24	1,34	0,43	21,7	0,30	82,0
Transportation	1,16	1,70	0,19	25,1	0,56	37,2
Agriculture	1,65	1,34	0,09	8,1	0,45	42,1

The main indicators of the financial and economic activity of enterprises in Q4 of 2023 were as follows:
- agricultural enterprises have the highest liquidity **(CLR=1.65)**;
- transportation and warehousing enterprises are considered the most solvent (**SR=1.70**);
- business activity in trade is significantly higher than in other industries (**ATR=0.43**);
- mining industry enterprises remain the most profitable (**ROS=39.4%**), agricultural companies remain the least profitable (**ROS=8.1%**);
- the possibility of financing investments at the expense of own funds in the transport and warehousing industry is higher than in other industries (**SFR=0.56**);
- most of the assets of trade enterprises are current assets (**SWCA=82.0%**).

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

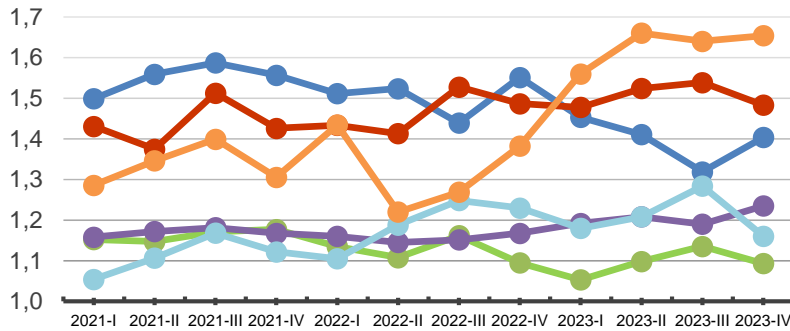Chart 21. Current liquidity ratio dynamics

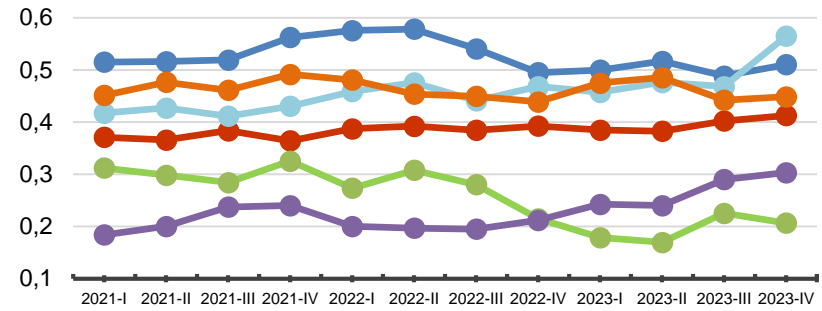Chart 23. Self-financing ratio dynamics (SFR)
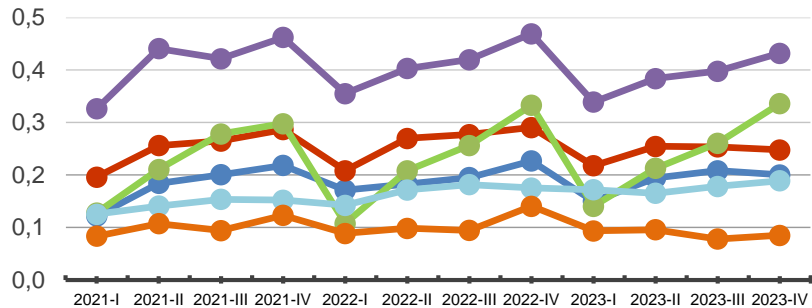

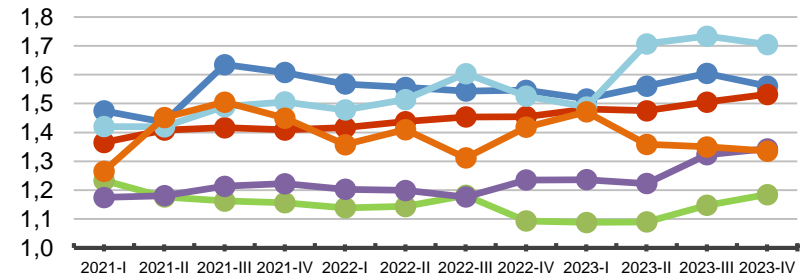Chart 22. Asset turnover ratio dynamics (ATR)

Chart 24. Overall solvency ratio dynamics

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

In Q4 of 2023 only in the mining, trade and agriculture sectors, the ability of enterprises **to repay their short-term obligations improved** (CLR increased). There is an increase in business activity in all industries (ATR increased), except for mining and manufacturing.

The possibility to finance investments on own funds decreased only in construction industry. The overall solvency of enterprises (SR) increased in manufacturing, construction and trade.

* 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 *,%

Mining 42,2 / 39,4
Manufacturing 22,0 / 24,0
Construction 20,5 / 21,1
Trade 21,7 / 22,2
Transportation 25,1 / 26,6
Agriculture 8,1 / 10,7

2023-III — 2023-IV
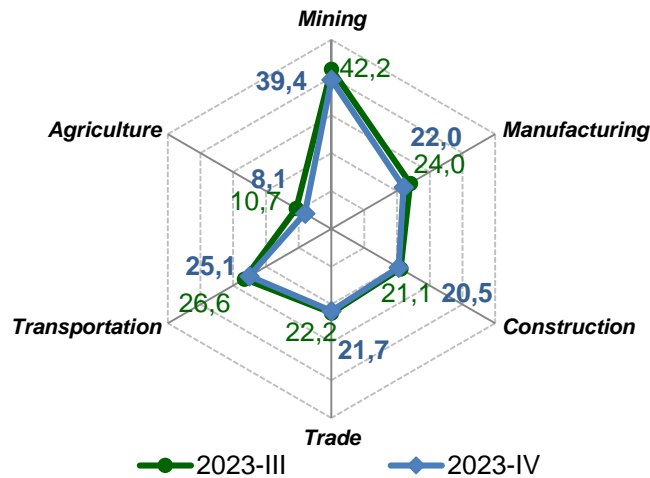
Chart 26. Dynamics of sales profitability *,%

Mining — Manufacturing — Construction
Trade — Transportation — Agriculture
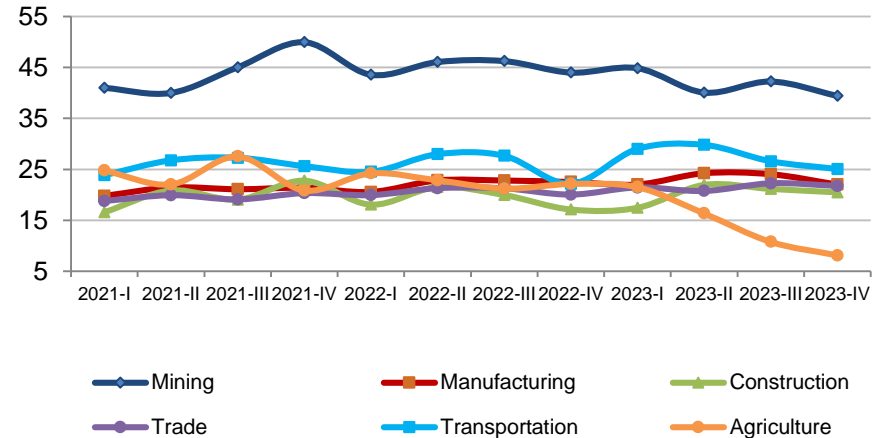
Chart 27. The share of enterprises planning to end the financial year with profit / loss,%

	With profit	With loss
Mining	46,3	13,0
Manufacturing	53,9	10,6
Construction	40,1	12,0
Trade	52,6	10,1
Transportation	45,4	16,4
Agriculture	37,2	20,7
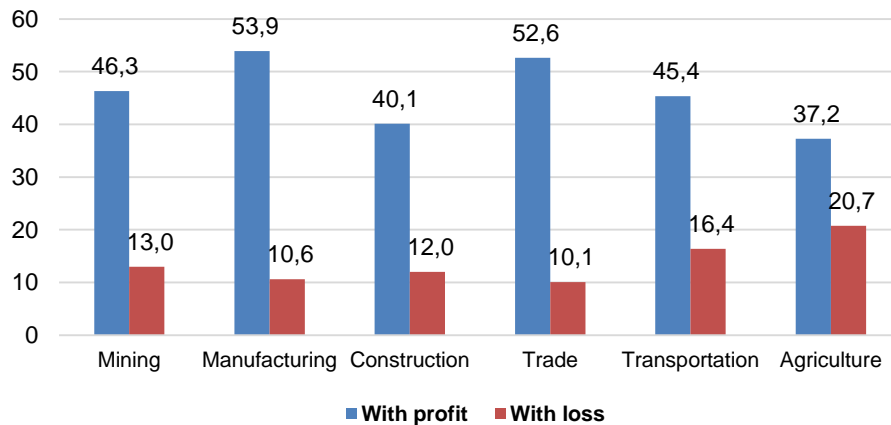
Return on sales (before tax, interest and depreciation) declined in all industries in Q4 of 2023. The indicator in the mining industry is significantly higher than in other industries.

The share of enterprises planning to close the financial year with **losses** is higher in agriculture (20.7%).

Among the enterprises planning to close the financial year with a profit, the most optimistic estimates are in the manufacturing industry (53.9%) and trade (52.6%).

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.

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 Q4 of 2023, on average in the economy, the share of enterprises with overdue (more than 90 days) **receivables** (from **22.9%** to **23.7%**) and with overdue accounts **payables** (from **21.4%** to **21.6%**) increased.

In all industries, except transport and warehousing, the share of enterprises with overdue receivables **has increased.** The share of enterprises with overdue accounts payable **increased** in agriculture, trade, and manufacturing. The largest number of enterprises with overdue receivables and payables is in the mining industry (30.1% and 30.6%, respectively).
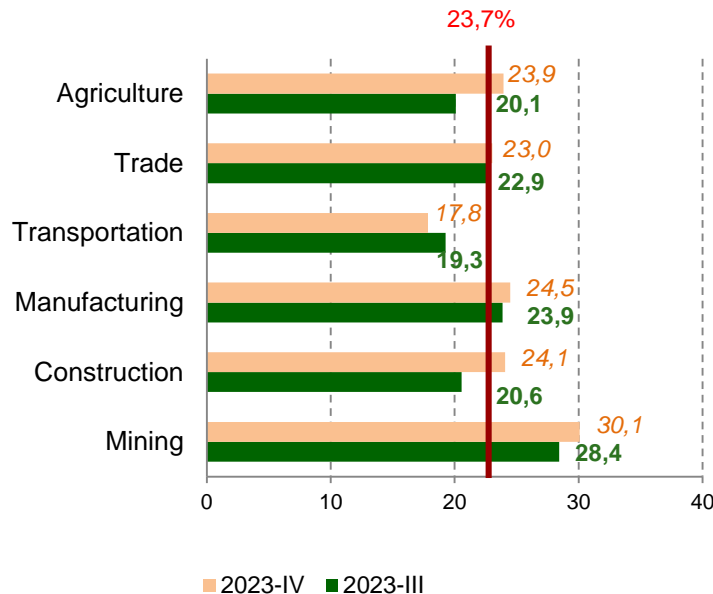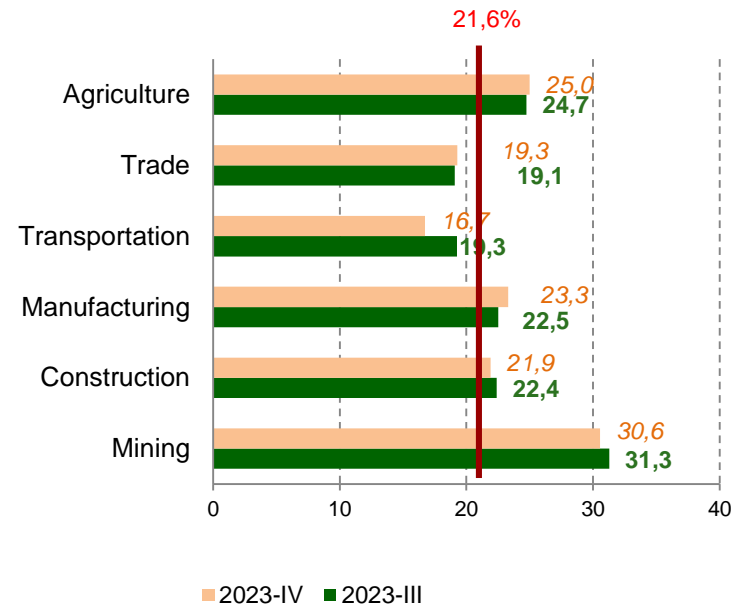
Chart 28. Overdue accounts receivable debt (%)

Industry	2023-IV	2023-III
Agriculture	23,9	20,1
Trade	23,0	22,9
Transportation	17,8	19,3
Manufacturing	24,5	23,9
Construction	24,1	20,6
Mining	30,1	28,4

23,7%

Chart 29. Overdue payables debt (%)

Industry	2023-IV	2023-III
Agriculture	25,0	24,7
Trade	19,3	19,1
Transportation	16,7	19,3
Manufacturing	23,3	22,5
Construction	21,9	22,4
Mining	30,6	31,3

21,6%

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

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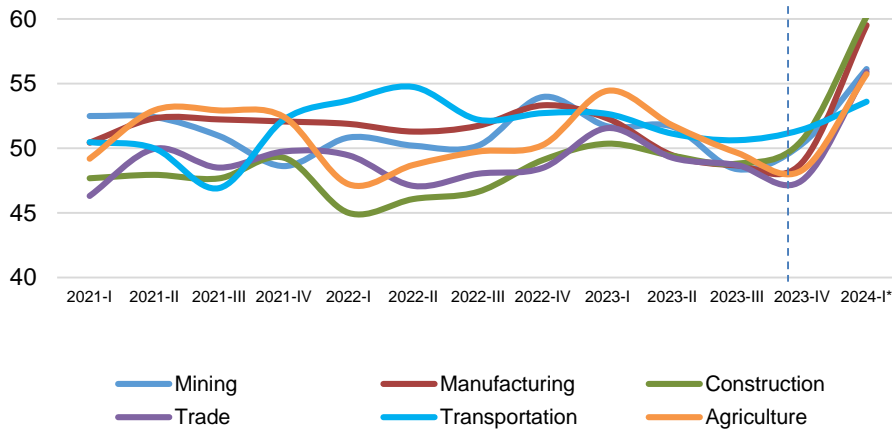
Chart 31. Number of employed dynamics[3], DI

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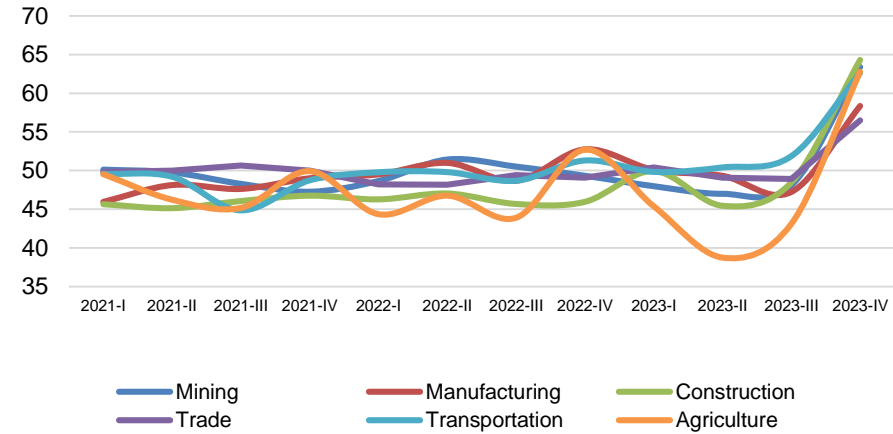
Chart 32. Dynamics of the share of enterprises that reduced average wages[4],%
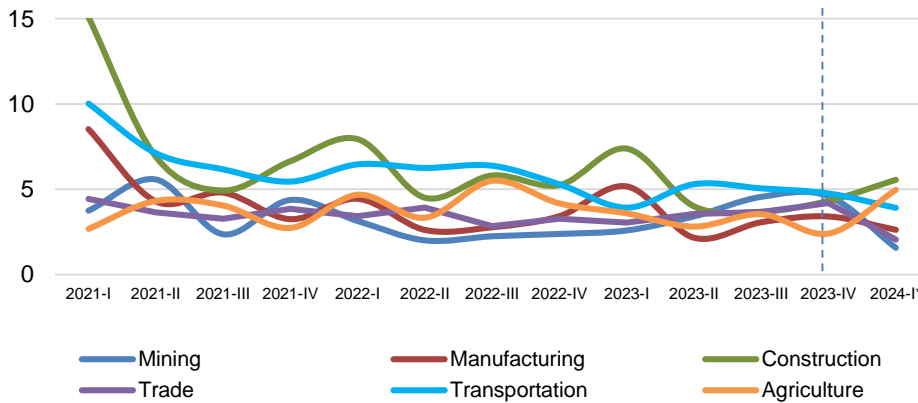
Legend: Mining, Manufacturing, Construction, Trade, Transportation, Agriculture

In Q4 of 2023 a decrease in production **volumes** was noted only in the trade and agriculture sectors. In Q1 of 2024 production volumes are expected to increase in all industries.

The number of employees increased in all sectors. In Q4 of 2023 the number of enterprises that **reduced the wages** of their employees in all industries, except agriculture, transport and warehousing increased. In Q1 of 2024 the situation with wages will improve in all industries, except construction and agriculture.

[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 Q1 of 2024

[3] Seasonally adjusted data (except manufacturing)

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

Conclusions

- 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 Q4 of 2023 the negative impact of the change in the exchange rate of the tenge against the **Russian ruble** increased slightly for enterprises in all industries, except transport and warehousing, as well as construction. The negative impact of the change in the exchange rate of the tenge against the **US dollar slightly mitigated** for enterprises in all industries, except agriculture.

- The main currencies used in settlements with foreign partners remain the Russian ruble and the US dollar (with the exception of the agricultural sector - the Russian ruble and the euro predominate). The Russian ruble dominates in all industries, except mining (the US dollar dominates).

- In Q4 of 2023 a decrease in production **volumes** was noted only in the trade and agriculture sectors. In Q1 of 2024 production volumes are expected to increase in all industries.

- The weighted average capacity utilization decreased in the manufacturing, trade, transport and warehousing sectors. The highest level of **capacity utilization** remains in the mining industry (60.8%).

- There is an increase in **demand for finished products** in the mining, construction and agriculture sectors.

- The **return on sales** declined in all industries in Q4 of 2023. The indicator in the mining industry is significantly higher than in other industries.

- The share of enterprises with overdue (more than 90 days) **accounts receivables** (from **22.9%** to **23.7%**) and **overdue accounts** payable (from **21.4%** to **21.6%**) increased.

- A slowdown in the growth of **prices for raw materials and materials** in Q4 of 2023 was noted only in the construction industry. The rise in **prices for finished products** also slowed down in all industries, with the exception of transport and warehousing, and trade.

- In Q1 of 2024 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 agricultural sector.