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

Q1 2024

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	➤	1Q 2024
Total monitoring participants	➤	3388
Sample details		
Mining	➤	219
Manufacturing	➤	770
Construction	➤	314
Trade	➤	931
Transport and warehouse	➤	268
Agriculture	➤	189
Total respondents in the sample	➤	2 691

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.
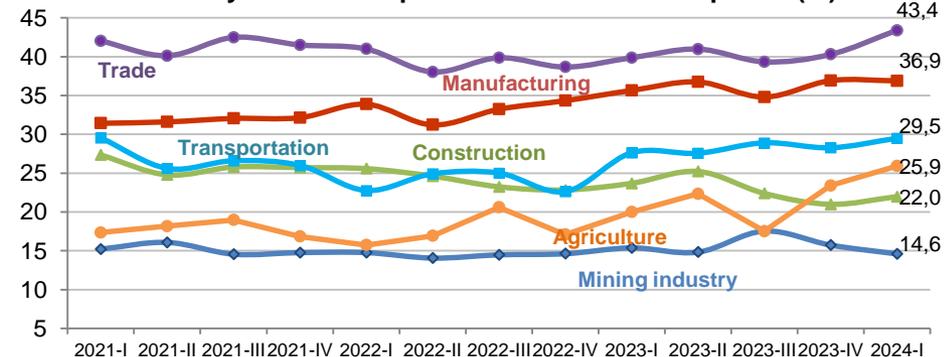
Large and medium-sized enterprises in the **manufacturing industry** make up **59.1%** of the total number of surveyed enterprises in the industry. The largest volumes in the industry are produced by enterprises of the metallurgical industry.

Large and medium-sized enterprises prevail also in **agriculture** and **construction** (**61.9%** and **60.2%**, respectively).

In **transportation and warehousing**, almost half of the sample is represented by large and medium-sized enterprises (**46.6%**), 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 (**23.6%**).

In Q1 of 2024 the importance of competition increased in all industries except manufacturing and mining. **Trade** remains the industry most affected by market competition, with **43.4%** of enterprises feel its impact on their business.

In the **manufacturing** industry, the share of such enterprises reached **36.9%**, **transportation and warehousing** – **29.5%**, **agriculture** – **25.9%**, **construction** – **22.0%**, and in the **mining industry** – **14.6%**.

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

Restriction	Agriculture	Transportation	Construction	Trade	Manufacturing	Mining
Receivables repayment difficulties	11,6	14,2	11,5	20,4	13,4	11,4
Lack of qualified personnel	32,3	22,4	30,6	20,9	33,0	28,8
Regulatory - complexity, frequent changes (licenses, permissions)	7,9	16,4	16,6	19,1	16,9	23,7
No obstacles	25,9	31,3	29,3	20,8	21,0	24,7
Market competition	25,9	29,5	22,0	43,4	36,9	14,6
Regulatory - level of tax burden	14,3	19,4	32,9	27,7	27,8	40,6
State of the Kazakh economy	27,5	31,7	29,3	36,1	29,6	31,1
Access to the financing (bank lending terms)	17,5	15,7	17,2	14,3	16,2	16,4
Low profitability	14,8	13,1	14,3	8,7	16,0	17,8
Underdeveloped infrastructure	12,7	13,8	13,1	14,8	13,6	19,2
Search for buyers (demand for the products, services)	18,0	19,0	18,8	31,7	31,8	17,8

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

Mining: 14,2% increasing, 12,3% reducing, 73,5% no changes
Manufacturing: 12,6% increasing, 11,4% reducing, 76,0% no changes
Construction: 9,9% increasing, 11,8% reducing, 78,3% no changes
Trade: 8,2% increasing, 8,9% reducing, 82,9% no changes
Transportation: 16,0% increasing, 6,7% reducing, 77,2% no changes
Agriculture: 6,3% increasing, 15,3% reducing, 78,3% no changes

■ increasing investments ■ reducing investments □ no changes

In Q1 of 2024, according to many enterprises, in general, the main obstacle to doing business was the **state of the economy** of Kazakhstan.

Trade and manufacturing enterprises cite **market competition** as the main obstacle. The dominant obstacle for agricultural and construction enterprises is the **lack of qualified personnel**, and for mining enterprises - 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 investment is expected in agriculture, and the smallest in transport and warehousing. 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,%)
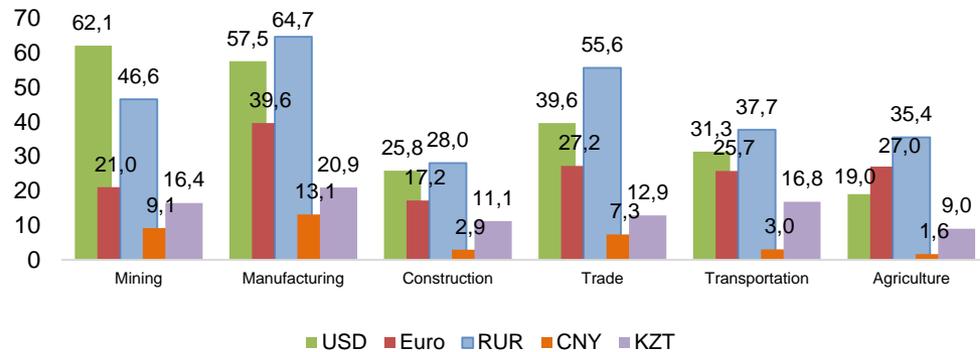
The main currencies used in settlements with foreign partners remain the Russian ruble and the US dollar (with the exception of the agricultural sector - the Russian ruble and the euro predominate). The Russian ruble dominates in all industries, except mining industry (US dollar dominates).

Tenge in calculations in Q1 of 2024 was mostly used by enterprises of the manufacturing industry - 20.9%.

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)
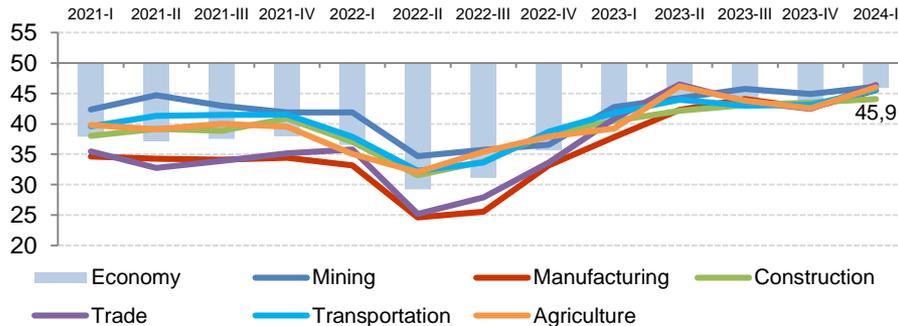
Chart 7. Impact of changes in the exchange rate of the tenge against the Russian ruble on the activities of the enterprise (DI by industry for the quarter)
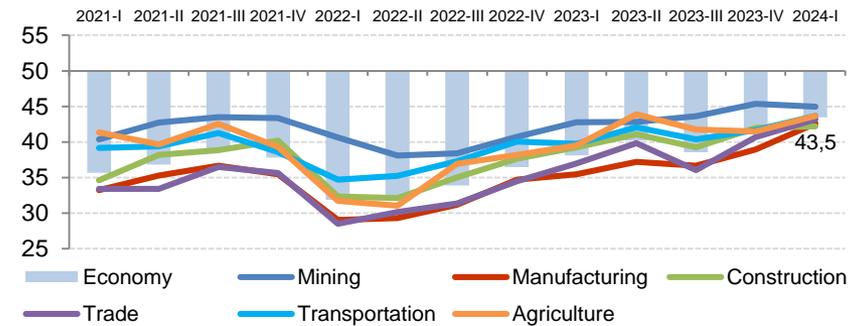
In Q1 of 2024 the negative impact of the tenge to **Russian ruble** exchange rate slightly mitigated for enterprises in all industries. The negative impact of the exchange rate of the tenge to the **US dollar slightly mitigated** for enterprises in all industries, except mining (almost remained at the same level).

*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

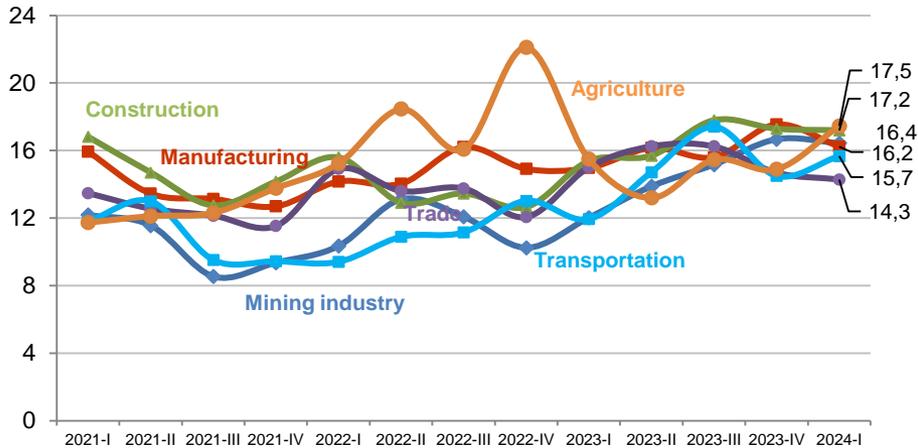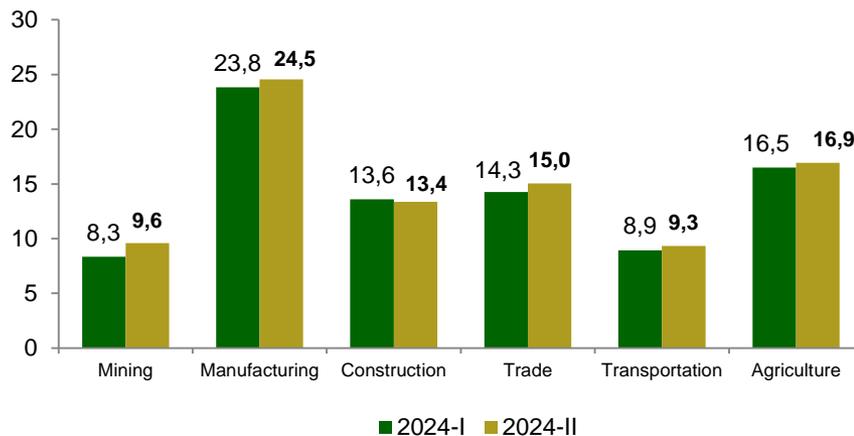**Chart 8. Share of enterprises for which bank lending conditions are unacceptable,%**

Table 1. Average lending rates,%

	In tenge		In foreign currency	
	in fact	preferred	in fact	preferred
Mining	15,4	5,1	6,4	2,0
Manufacturing	15,7	6,7	6,3	3,0
Construction	19,1	7,4	6,4	3,5
Trade	18,4	8,4	4,5	3,8
Transportation	20,0	7,0	6,0	3,9
Agriculture	14,1	7,5	-	4,0

Chart 9. Companies intending to apply for a loan in Q1 of 2024 and in Q2 of 2024, %

In Q1 of 2024 only in agriculture and transport and warehousing 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 agriculture (17.5%), and the smallest - trade(14.3%).

The highest interest rate on loans received in tenge was noted in transport and warehousing (20.0%), and in foreign currency – mining and construction (6.4% each). The largest share of enterprises intending to take out a loan in Q2 of 2024 falls on manufacturing industry (24.5%), and the smallest in transport and warehousing (9.3%).

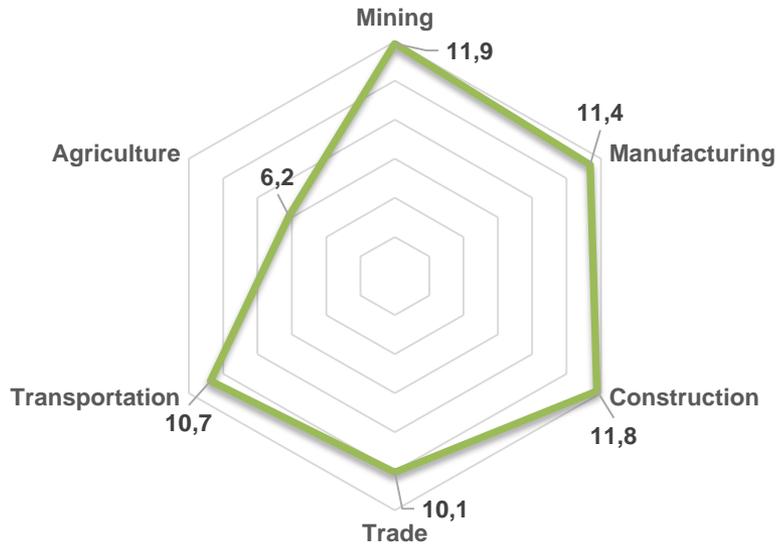**Chart 10. Weighted average* credit load **,%**

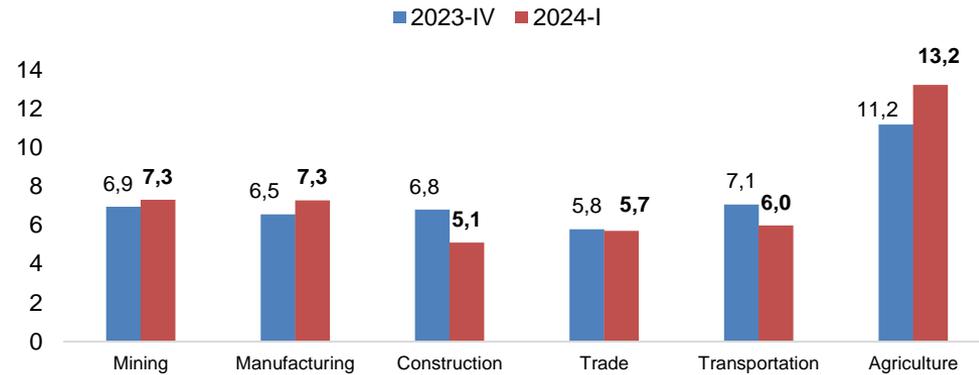**Chart 11. The share of enterprises with overdue *** debt on bank loans,%**

■ 2023-IV ■ 2024-I

Chart 12. Results for consideration of loan applications, number

Received loan

Denied loan

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

In Q1 of 2024 the weighted average credit load in the mining industry was higher than in other industries. The lowest value of this indicator is observed in agriculture sector (**6.2%**).

The share of enterprises with overdue debt on bank loans increased only in mining, manufacturing, as well as agriculture industries.

In Q1 of 2024 **19 surveyed enterprises** from all industries except construction 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:
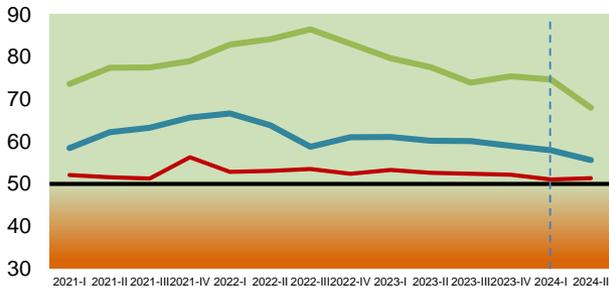
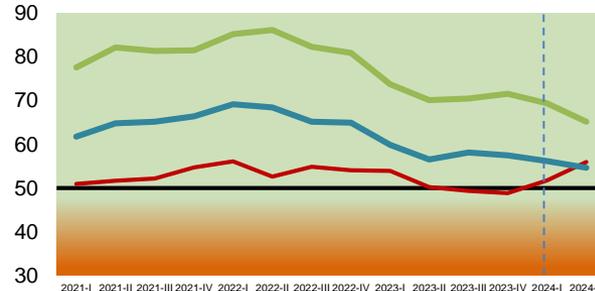### Chart 13. Mining industry, DI*

Chart 14. Manufacturing, DI*
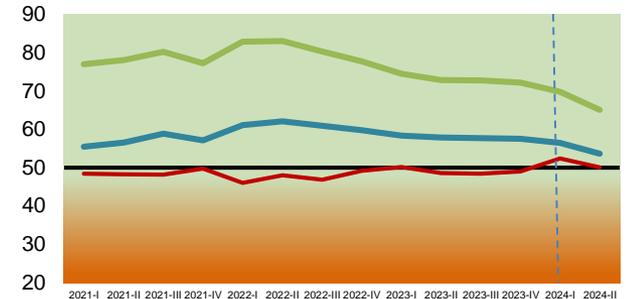

Chart 15. Construction, DI*
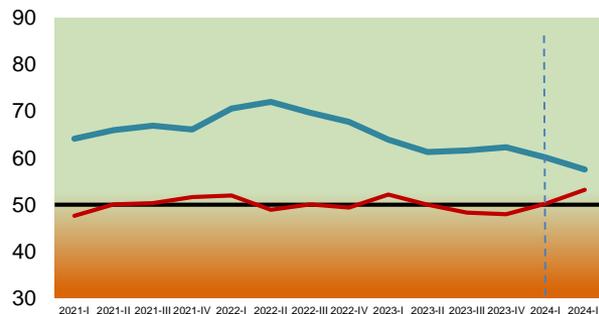

Chart 16. Trade, DI*

Chart 17. Transportation and warehousing, DI*
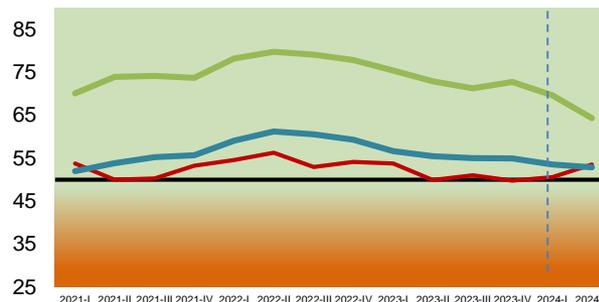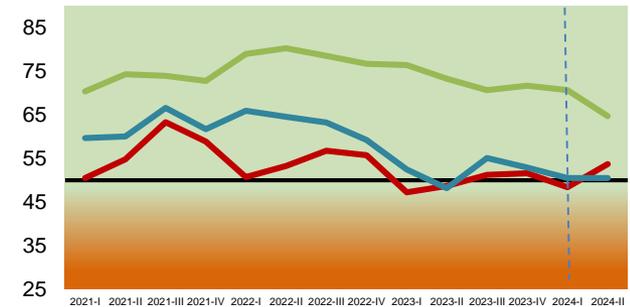

Chart 18. Agriculture, DI*

— Demand   — Production prices   — Prices for raw materials

In Q1 of 2024 there was an increase in **demand for finished products in manufacturing industries, construction, trade,** as well as **transport and warehousing.** In Q2 of 2024 the situation with demand is expected to improve in all industries except construction (a slight slowdown).

The slowdown in the growth of **prices for raw materials and materials** in Q1 of 2024 was noted in all industries. In addition, the growth rate of **prices for finished products** in all industries slowed down. In Q2 of 2024, a slowdown in the growth rate of **prices for raw materials and materials** is expected in all industries, as well as a slowdown in the growth rate of **prices for finished products**, with the exception of the agriculture industry (will remain at the same level).

* 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 Q2 of 2024
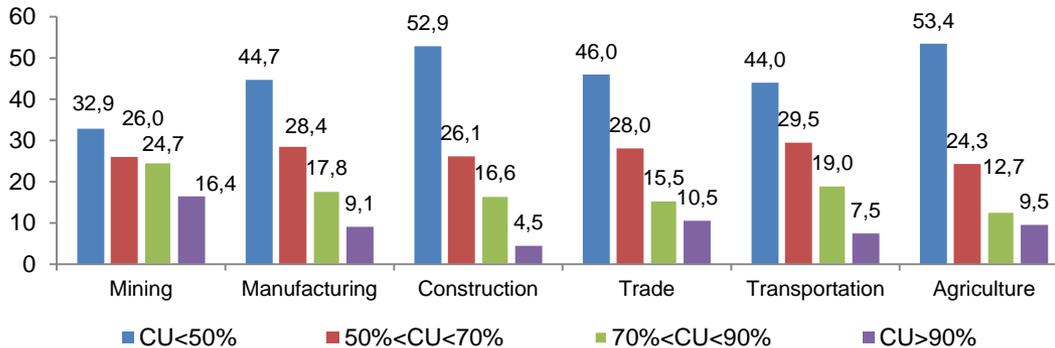
Chart 19. Weighted average* utilization of production capacities by industry, %
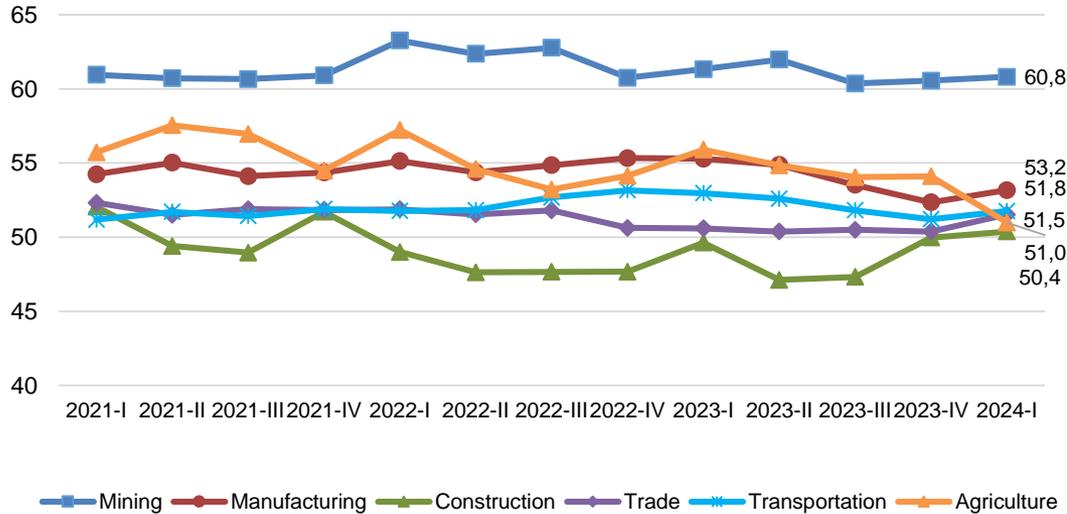
In Q1 of 2024 the weighted average **capacity utilization (CU)** increased in all sectors except agriculture. The best situation is in the mining industry, where the share of enterprises with maximum CU (**CU>=90%**) is greater than in other industries, and the share of enterprises with **CU<50%** is 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 1st quarter of 2024, 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.

Table 2. Median* value of main indicators

	CLR	SR	ATR	ROS**, %	SFR	SWCA, %
Mining	1,42	1,65	0,15	35,4	0,53	50,4
Manufacturing	1,51	1,51	0,19	21,2	0,38	63,9
Construction	1,08	1,14	0,15	19,1	0,23	71,0
Trade	1,25	1,22	0,33	20,9	0,27	80,7
Transportation	1,12	1,78	0,15	25,2	0,53	35,0
Agriculture	1,63	1,36	0,08	9,0	0,47	40,4

The main indicators of the financial and economic activity of enterprises in Q1 of 2024 were as follows:
- agricultural enterprises have the highest liquidity **(CLR=1.63)**;
- transportation and warehousing enterprises are considered the most solvent (**SR=1.78**);
- business activity in trade is significantly higher than in other industries (**ATR=0.33**);
- mining industry enterprises remain the most profitable (**ROS=35.4%**), agricultural companies remain the least profitable (**ROS=9.0%**);
- the possibility of financing investments at the expense of own funds in the mining industry, as well as transport and warehousing, is higher than in other industries (**SFR=0.53**);
- most of the assets of trade enterprises are current assets (**SWCA=80.7%**).

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
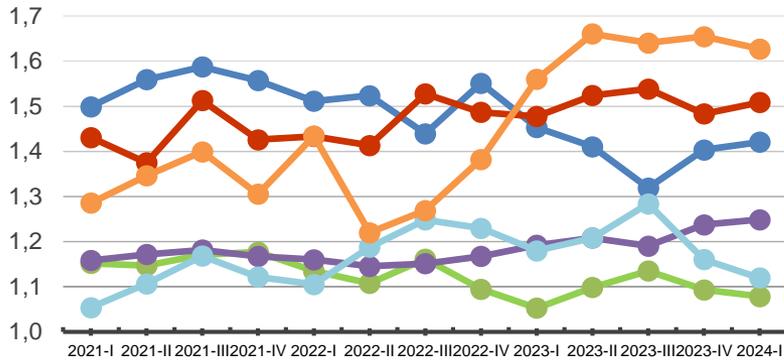
Chart 21. Current liquidity ratio dynamics

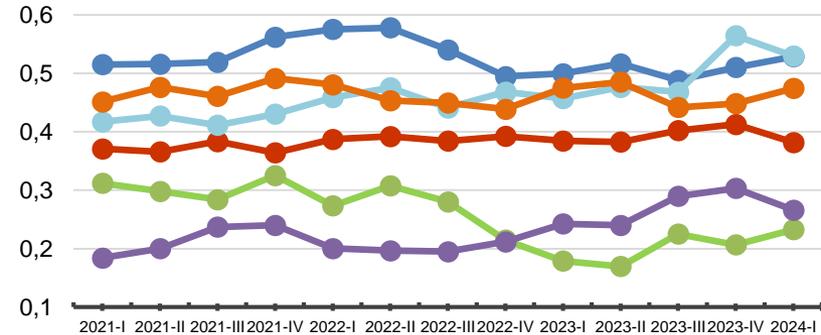**Chart 23. Self-financing ratio dynamics (SFR)**

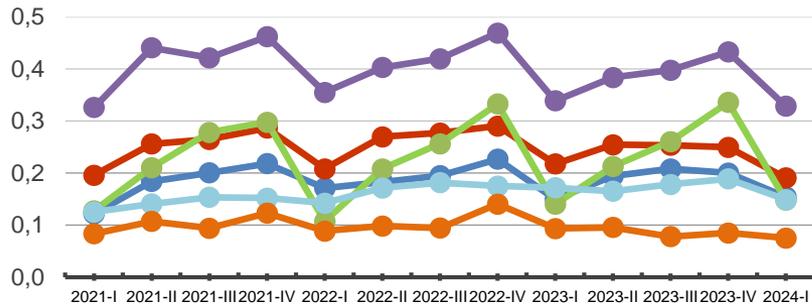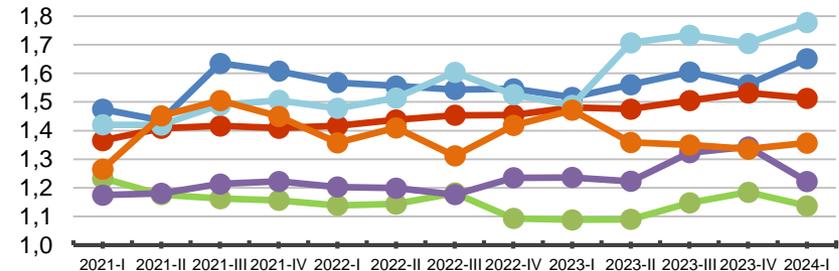**Chart 22. Asset turnover ratio dynamics (ATR)**

Chart 24. Overall solvency ratio dynamics

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

In Q1 of 2024 only in the mining and manufacturing industries, as well as trade, the ability of enterprises **to repay their short-term obligations improved** (CLR increased). There is a decline in business activity in all industries (ATR decreased).

The possibility to finance investments on own funds decreased only in manufacturing industry, trade, as well as transport and warehousing. The overall solvency of enterprises (SR) increased in transport and warehousing, mining and 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
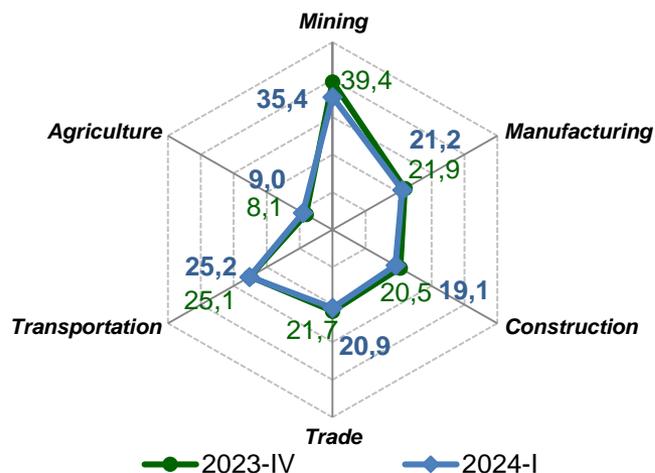
Chart 25. Return on sales *,%

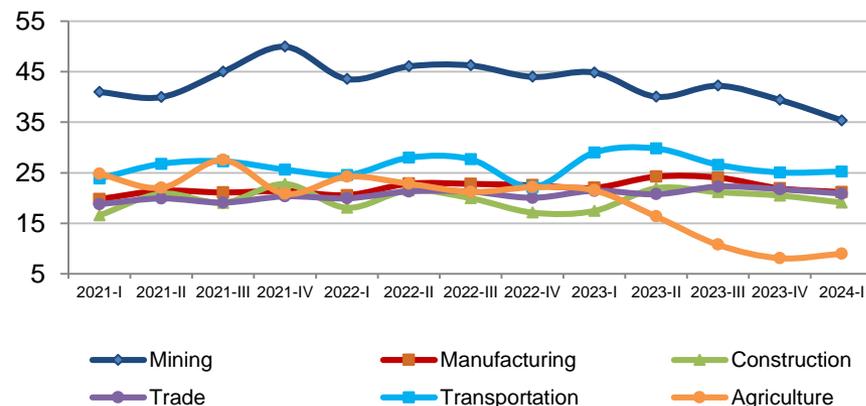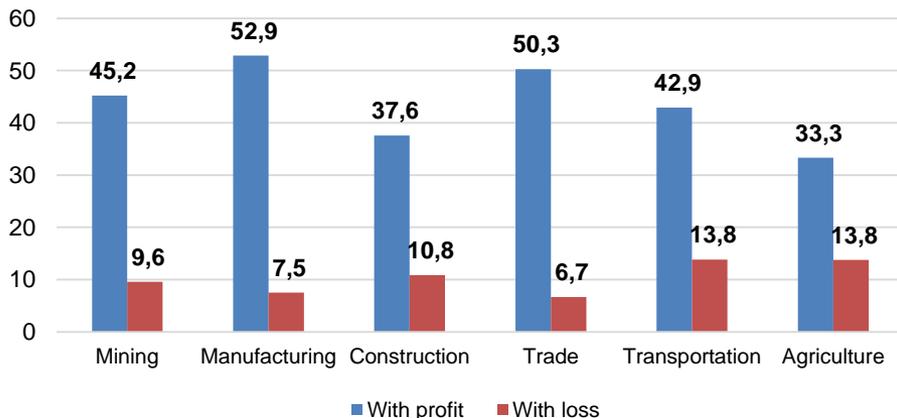**Chart 26. Dynamics of sales profitability *,%**

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

Return on sales (before tax, interest and depreciation) declined in all industries except agriculture, transportation and warehousing in Q1 of 2024. 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 transport and warehousing, as well as agriculture (13.8% each).

Among the enterprises planning to close the financial year with a profit, the most optimistic estimates are in the manufacturing industry (52.9%) and trade (50.3%).

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 Q1 of 2024, on average in the economy, the share of enterprises with overdue (more than 90 days) **receivables** increased slightly (from **23.7%** to **23.9%**) and with overdue accounts **payables** decreased slightly (from **21.6%** to **21.0%**).

In all industries, except agriculture and mining, the share of enterprises with overdue receivables **has increased.** The share of enterprises with overdue accounts payable **decreased** in all industries, with the exception of transport and warehousing, as well as the mining industry. The largest number of enterprises with overdue receivables and payables is in the mining industry (**28.3%** and **31.1%**, respectively).
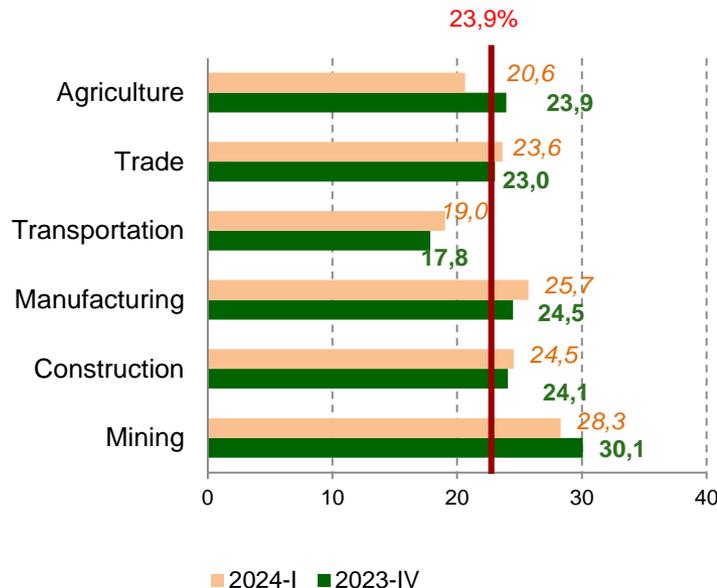
Chart 28. Overdue accounts receivable debt (%)

Industry	2024-I	2023-IV
Agriculture	20,6	23,9
Trade	23,6	23,0
Transportation	19,0	17,8
Manufacturing	25,7	24,5
Construction	24,5	24,1
Mining	28,3	30,1

23,9%

Chart 29. Overdue payables debt (%)

Industry	2024-I	2023-IV
Agriculture	24,9	25,0
Trade	18,8	19,3
Transportation	17,5	16,7
Manufacturing	22,1	23,3
Construction	20,4	21,9
Mining	31,1	30,6

21,0%

14

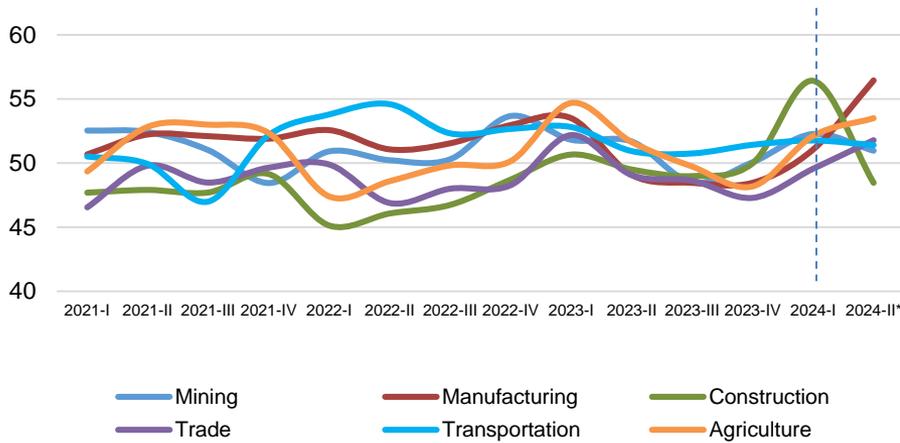**Chart 30. Production volume dynamics[1], DI[2]**

Chart 31. Number of employed dynamics[1], DI
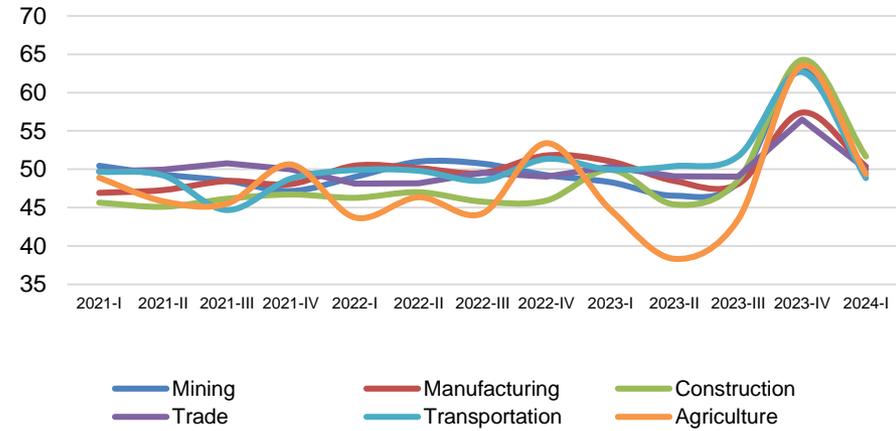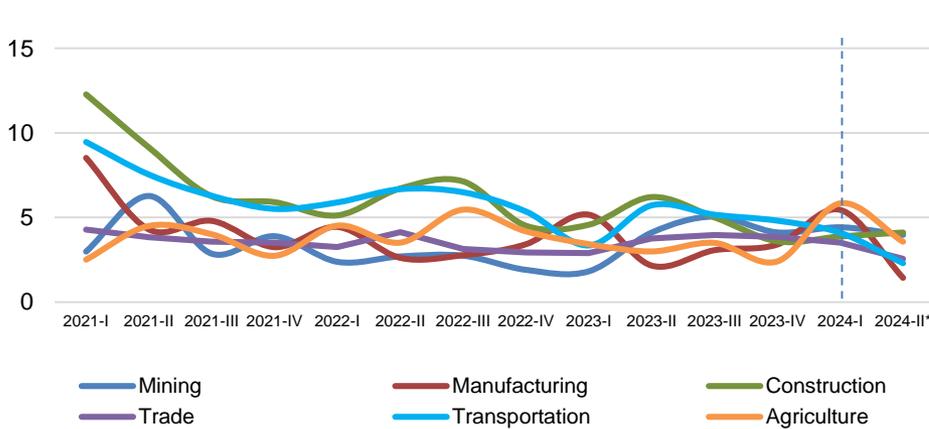

Chart 32. Dynamics of the share of enterprises that reduced average wages[3],%

In Q1 of 2024 an increase in production **volumes** was noted in all industries. In Q2 of 2024 production volumes are expected to increase in manufacturing, trade and agriculture. The number of employees decreased in all sectors. In Q1 of 2024 the number of enterprises that **reduced the wages** of their employees in all industries, except trade, as well as transport and warehousing, increased. In Q2 of 2024 the situation with wages will improve in all industries, except construction.

[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 Q2 of 2024

[3] Seasonally adjusted data (except manufacturing)

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 Q1 of 2024 the negative impact of the change in the exchange rate of the tenge against the **Russian ruble** slightly mitigated for enterprises in all industries. 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 for the mining industry (almost remained at the same level).

- 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 Q1 of 2024 an increase in production **volumes** was noted in all industries. In Q2 of 2024 production volumes are expected to increase in manufacturing, trade and agriculture.

- The weighted average capacity utilization increased in all sectors except agriculture. The highest level of **capacity utilization** remains in the mining industry (60.8%).

- There is an increase in **demand for finished products** in the manufacturing, construction, trade, as well as transport and warehousing.

- The **return on sales** in Q1 of 2024 decreased in all industries except agriculture, as well as transport and warehousing. Return on sales in the mining industry is significantly higher than in other industries.

- In all industries, except agriculture and mining, the share of enterprises with overdue (more than 90 days) **accounts receivables increased.** The share of enterprises with **overdue accounts** payable decreased in all industries, with the exception of transport and warehousing, as well as the mining industry.

- A slowdown in the growth of **prices for raw materials and materials** in Q1 of 2024 was noted in all industries. In addition, the rise in **prices for finished products** in all industries slowed down.

- In Q2 of 2024 a slowdown in the growth rate of prices for **raw materials** and **materials** is expected in all industries, as well as a slowdown in the growth rate of **prices for finished products**, with the exception of the agriculture industry (will remain at the same level).