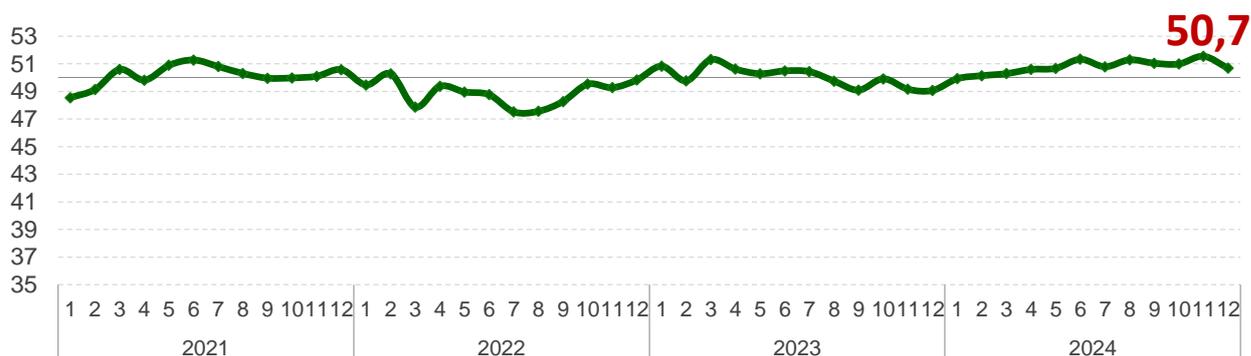**NATIONAL BANK OF KAZAKHSTAN**

Business activity index

December 2024

In December 2024, business activity growth slowed down. The indicator remains in the positive area since February of this year.

Graph 1. Dynamics of business activity index (BAI)*

50,7

* A value of the indicator above level 50 means a positive change, below level 50 - a negative. The further (higher or lower) the index value is from the 50 level, the higher the rate of change (increase or decrease) of the indicator.
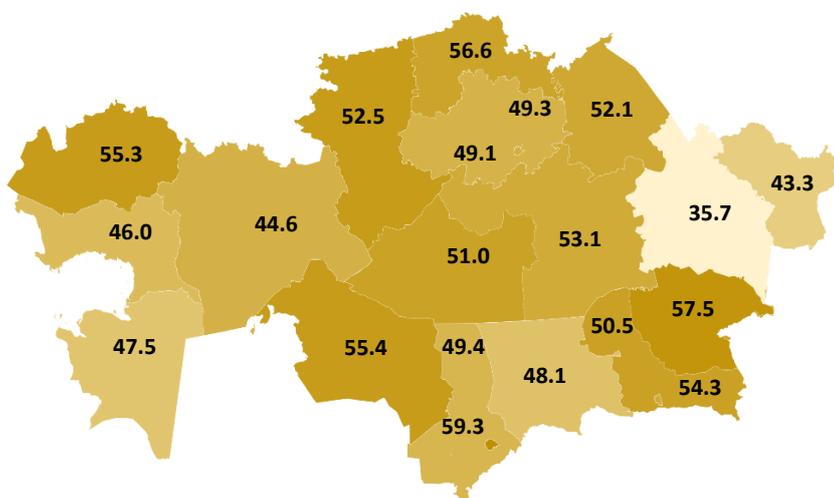
The business activity was 50.7 in December.

The indicator decreased due to a slowdown in business activity in production and service sector to **50.6** and **50.8**, respectively (from 53.0 and 51.4 in November) and a decline in the mining industry to **48.8** (from 50.2 in November). The growth was noted only in construction, where the index rose from 50.5 in November to **52.9** in December. New orders and employment increased noticeably in construction, while in the mining industry all components decreased.

Graph 2. BAI in December 2024 by regions

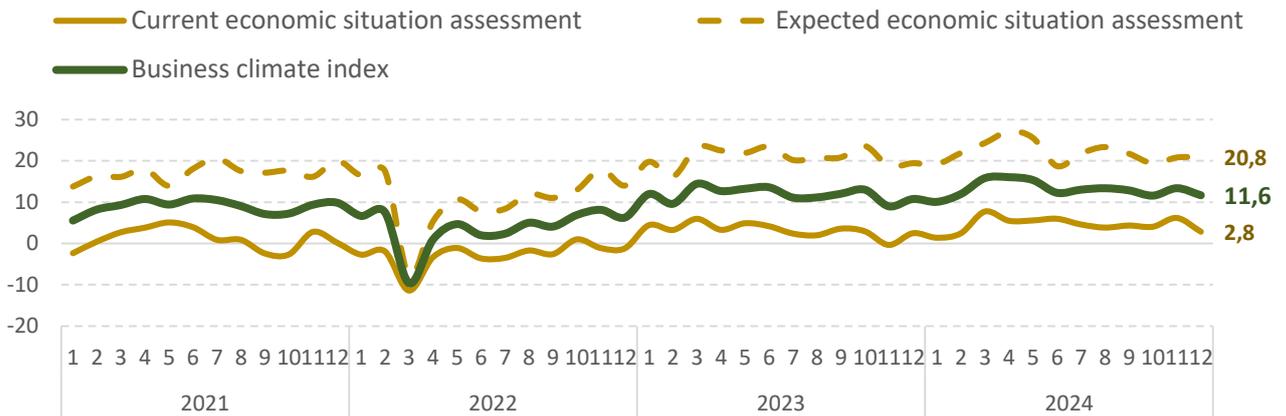**Business activity improved in 11 regions, worsened in 9 regions.**

The highest index value was observed in Zhetisu (57.5), the lowest – in Abai region (35.7).

Business climate index

In December, the assessment of current business conditions worsened, but remaining in a positive area, while optimism about future business conditions did not change. As a result, the business climate index decreased to 11.6.

Graph 3. Dynamics of business climate index (BCI)*

Legend: Current economic situation assessment; Expected economic situation assessment; Business climate index
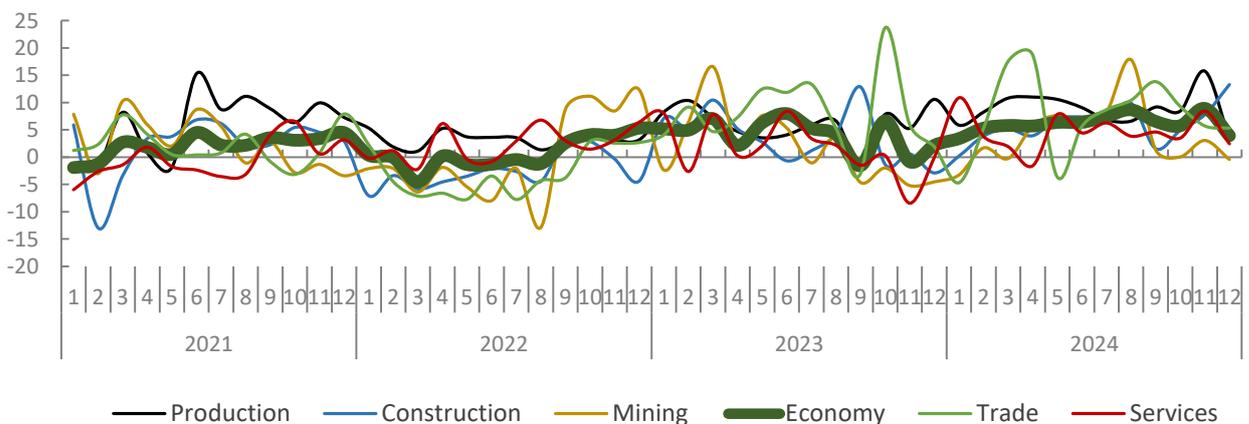
Values shown: 20,8; 11,6; 2,8

* To assess current and future business conditions, a balance of responses (BR) is used, which is calculated as the difference between the shares of positive and negative answers to questions about changes in business conditions. An index value above 0 indicates an improvement, below 0 indicates a deterioration of the situation.

According to enterprises, growth rate of demand for their products/services slowed down.

In December, demand growth slowed down in all sectors except construction. There was a slight decrease in demand in the mining industry compared to the previous month.

Respondents assessed the change in infrastructure weakly positive, while other factors (business protection issues, tax burden, and access to finance/credit) were assessed negatively.

Graph 4. Dynamics of demand changes by sector (BR)*

Legend: Production; Construction; Mining; Economy; Trade; Services

* To assess demand, a balance of responses (BR) is used, which is calculated as the difference between the shares of positive and negative answers to questions about changes in demand. An index value above 0 indicates an improvement, below 0 indicates a deterioration of the situation.
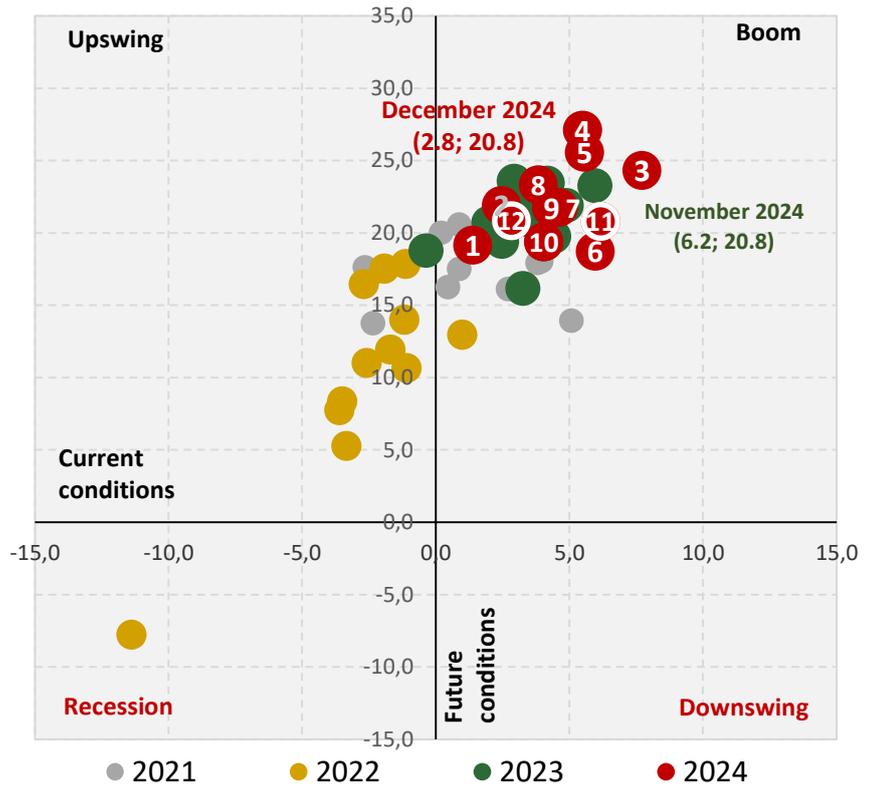
Graph 5. Business cycle clock

In December 2024, the business cycle clock indicator remained in the boom area

The current business conditions decreased noticeably and amounted to 2.8

The assessment of future business conditions for the next 6 months kept unchanged (20.8).

* Business cycle clock is developed by Ifo institute demonstrates in which phase of the cycle the economy was in a certain period. To construct it the series of current conditions (X axis) and future conditions (Y axis) assessments are used.

Business cycle clock scatter plot. Axis labels: Upswing (top left), Boom (top right), Recession (bottom left), Downswing (bottom right). X axis "Current conditions" from -15,0 to 15,0. Y axis "Future conditions" from -15,0 to 35,0.

December 2024 (2.8; 20.8)
November 2024 (6.2; 20.8)

Legend: ● 2021 ● 2022 ● 2023 ● 2024

METHODOLOGICAL COMMENT

[1] The information was prepared based on the results of monthly survey of enterprises participating in the monitoring of the real sector.

[2] The business activity index is calculated as an aggregated change in such indicators of enterprises as the volume of new orders, the level of employment, the volume of new products, the volume of inventories, delivery times.

[3] To calculate the Business Activity Index, the diffusion index (DI) is used, which is calculated as the sum of positive responses and half of the responses unchanged. This index is a generalized indicator characterizing the dynamics of changes in the indicator.

[4] To calculate the business climate index (BCI), according to the methodology of the Ifo Institute, a balance of answers (BA) on indicators of business conditions in the current month (SIT) and expected changes in business conditions in the next 6 months (EXP) is used:

$$\text{BCI*} = \sqrt{(\text{BA}(SIT) + 200) * (BA(EXP) + 200)} - 200$$

where, BA – balance of answers
SIT – current economic condition
EXP – expected economic condition

[5] The BA (balance of answers) is calculated as the difference between the shares of positive and negative responses to questions about changing business conditions. Enterprises choose one of the three suggested answers "improved", "have not changed" and "worsened". The response shares are calculated using weights.

[6] The business cycle clock, developed by the Ifo Research Institute, is a diagram (coordinate system) divided into four quadrants using the crosshair of two zero lines, which from the point of view of the business situation refer to the four stages of the economic cycle: upswing, expansion, downswing, recession. If the assessment of current conditions is negative and expectations are positive, the economy is in the upswing area, if both the assessment of current conditions and expectations are positive, then the economy is in the expansion phase, etc.

[7] The data in the diagrams are seasonally adjusted (except for the assessment of future conditions and the assessment of factors).

[8] Changes are possible in the previous months dynamics due to seasonal clearing and GVA adjustment.

[9] Detailed information by sector (information about the sample, the dynamics of indicators, the results of the distribution of responses) is presented in the dashboard.

[10] As the representativeness of the sample by region by sector is achieved, the calculation results will be presented in accordance with the new administrative-territorial structure.