

MARKET REVIEW

Enterprises Survey Results in the Real Sector of the Economy

Q4 2024



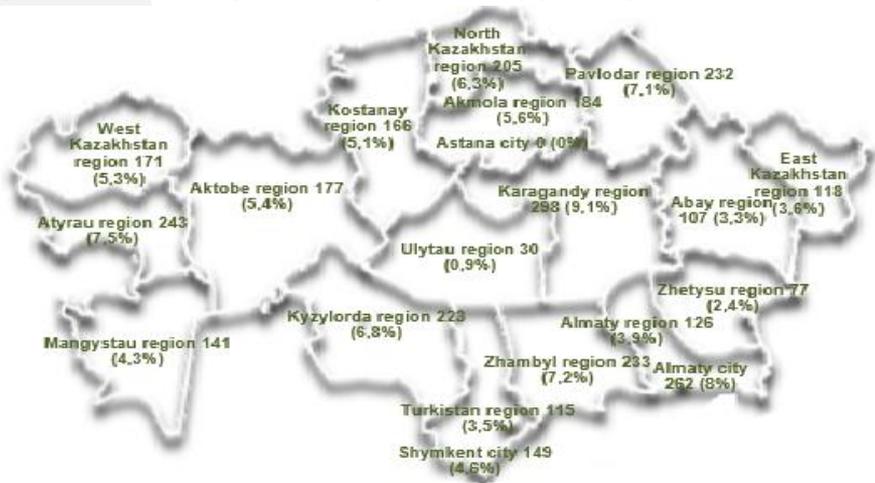
Monetary Policy Department
National Bank of Kazakhstan

CONTENT

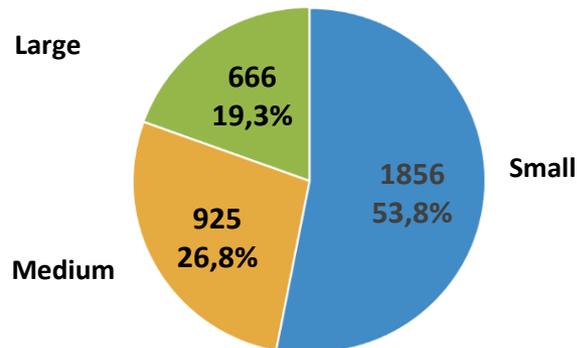
- I. Dynamics of composition of monitoring participants (p. 3)
- II. Dynamics of demand for final products (p. 4)
- III. Price changes in the real sector (p. 5)
- IV. Production output (p. 6)
- V. Balance sheet structure: assets (p. 7)
- VI. Balance sheet structure: liabilities (p. 8)
- VII. Investment activity (p. 9)
- VIII. Sources of working capital financing (p. 10)
- IX. Obstacles for doing business (p. 11)
- X. Financial and economic performance change (p. 12)
- XI. Influence and consequences of geopolitics (p. 13)
- XII. Assessment of the financial condition of enterprises (p. 14-15)
- XIII. Banking system impact on the real sector of the economy (p. 16-18)
- XIV. Foreign economic activities of enterprises (p. 19)
- XV. Impact of exchange rate changes (p. 20)
- XVI. Composite leading indicator (p. 21)
- XVII. Methodological comments (p. 22)

DYNAMICS OF COMPOSITION OF MONITORING PARTICIPANTS

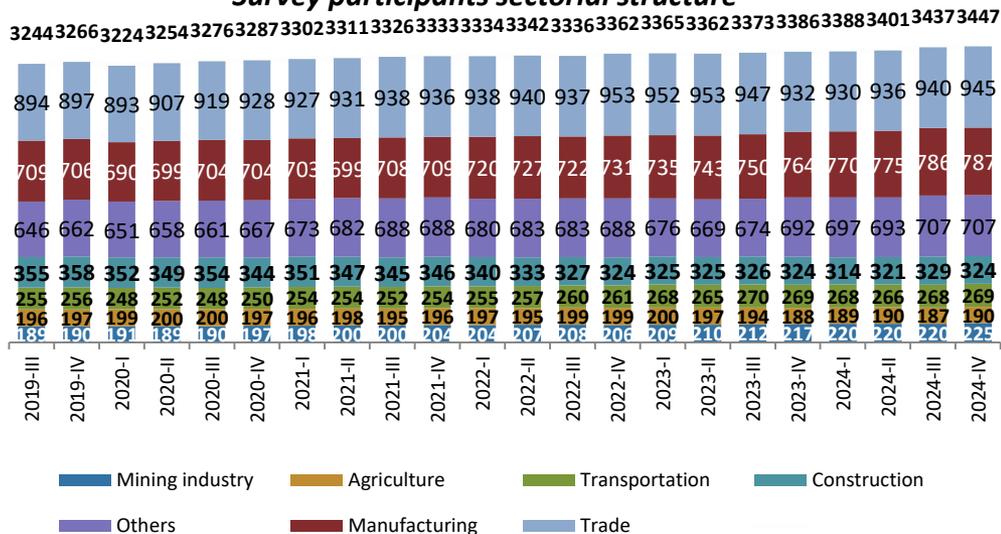
Regional structure of the enterprise survey participants in Q4 2024



Survey participants size structure



Survey participants sectorial structure

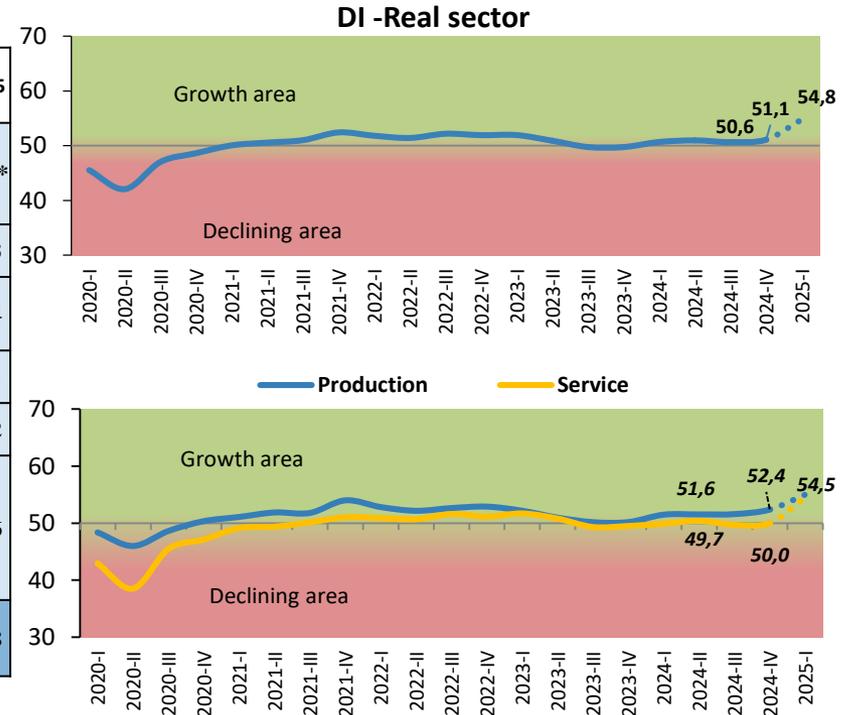


In Q4 of 2024 the number of respondents compared to the previous quarter increased by 10 enterprises and amounted to **3447**.

DYNAMICS OF DEMAND FOR FINAL PRODUCTS

Final goods demand, DI*

	2021				2022				2023				2024				2025
	1 qtr.	2 qtr.	3 qtr.	4 qtr.	1 qtr.	2 qtr.	3 qtr.	4 qtr.	1 qtr.	2 qtr.	3 qtr.	4 qtr.	1 qtr.	2 qtr.	3 qtr.	4 qtr.	1 qtr.*
Answers of enterprises, %																	
Increase	16,4	24,1	24,2	24,4	17,4	24,2	25,8	24,0	17,0	22,5	21,6	20,2	14,1	21,1	21,6	21,4	12,3
No changes	51,5	53,1	55,7	55,1	53,7	54,5	54,6	53,7	54,5	55,7	57,3	56,4	58,8	58,9	59,5	56,5	44,4
Decrease	28,5	19,1	16,4	17,3	25,4	17,8	15,9	18,2	23,9	17,5	17,0	19,2	22,7	15,9	15,2	17,7	13,1
Do not know	3,6	3,7	3,8	3,2	3,5	3,5	3,7	4,1	4,6	4,3	4,1	4,2	4,3	4,2	3,8	4,4	30,2
Diffusion index, DI=line1+0.5*(line2+line4)	43,9	52,5	53,9	53,6	46,0	53,2	54,9	52,9	46,5	52,5	52,3	50,5	45,7	52,6	53,2	51,8	49,6
DI, seasonal adjusted	50,2	50,6	51,0	52,0	52,2	51,5	52,2	51,3	52,6	51,0	49,8	49,4	51,1	51,1	50,6	51,1	54,8



In Q4 of 2024 the demand for final products in the real sector increased. The diffusion index (hereinafter - DI) was **51,1**. The acceleration of the indicator was noted in the production of goods sector (52,4), and some not substantial growth noted in services sector (50,0), .

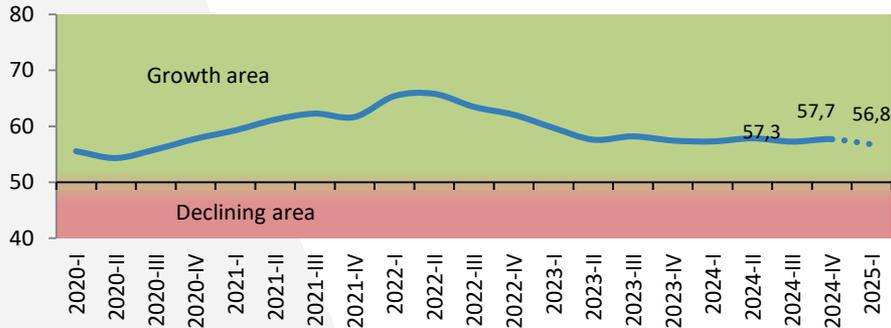
According to the expectations of enterprises in the real sector in Q1 of 2025, the demand in production sector and in services will increase (DI=55,0 and DI=54,5), DI in real sector demand will get 54,8.

*Diffusion Index (seasonally adjusted). The higher (the lower) the DI deviates from 50, the higher (the lower) are the rates of growth (decline) in indicator; the level of 50 -the absence of any change

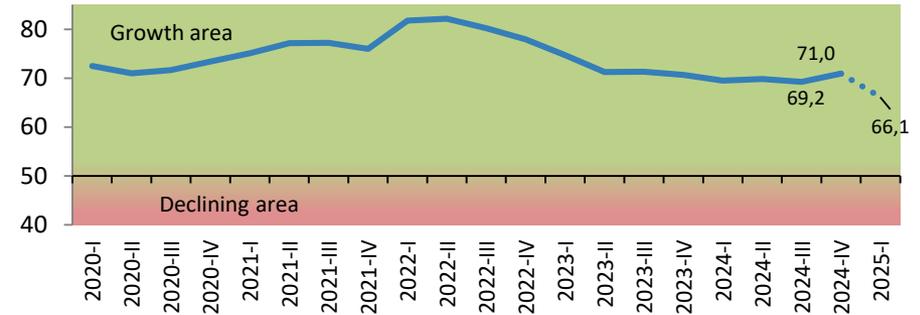
**The Figures show expectations of enterprises regarding the change in the parameter in Q1 2025

PRICES CHANGES IN THE REAL SECTOR

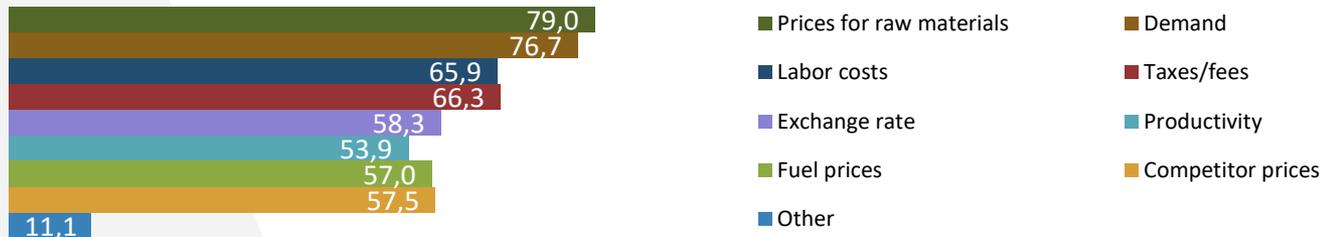
*Final goods prices, DI**



*Raw materials prices, DI**



Assessment of pricing factors importance, answers in %



In Q of 2024 the growth rate of prices for final products of enterprises and raw materials in the economy accelerated (DI was 57,7 and 71,0 respectively).

For the vast majority of enterprises the most important factor in setting the price of final products is the price of raw materials (for 79,0 of enterprises) and demand (76,7).

In Q1 of 2025 enterprises expect a slowdown in the rate of growth of prices for final products (DI = 56,8), and accordingly, for raw materials (DI = 66,1).

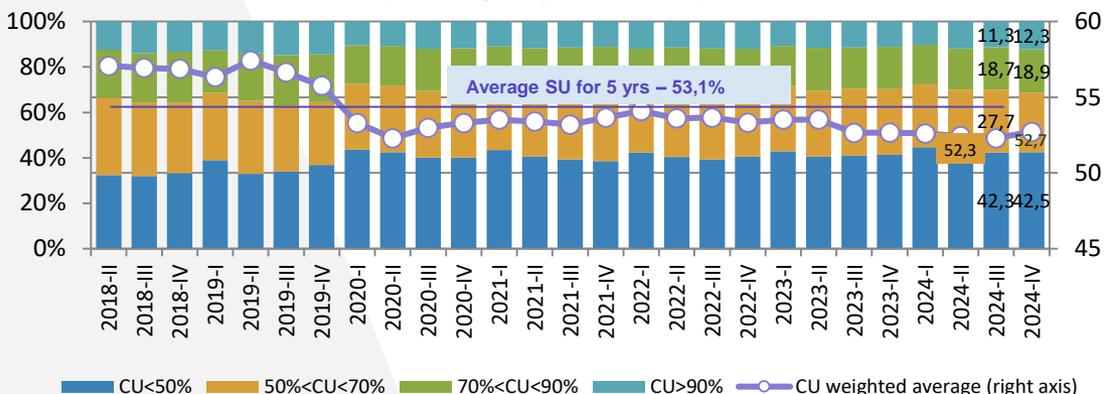
*Diffusion Index (seasonally adjusted). The higher (the lower) the DI deviates from 50, the higher (the lower) are the rates of growth (decline) in indicator; the level of 50 -the absence of any change

**The Figures show expectations of enterprises regarding the change in the parameter in Q1 2025

PRODUCTION OUTPUT

Capacity utilization level

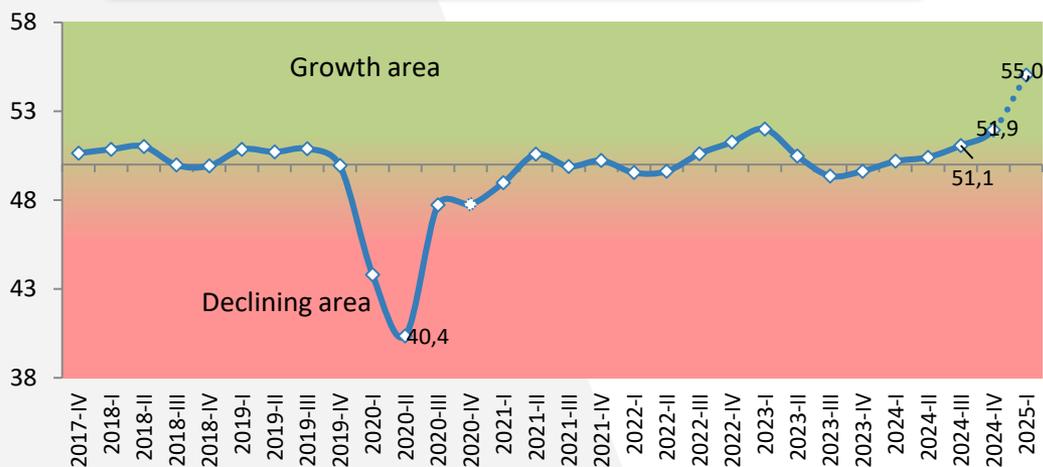
(share of respondents, %)



In Q4 of 2024, the production capacity utilization (CU) of enterprises was higher than the level of the Q3 of 2024. The weighted average* level of the CU was **52,7%**. In Q4 of 2024 the volume of production of final products (works, services) increased. DI was **51,9**.

In Q1 of 2025 enterprises expect an increase in production volume growth. The DI by expectations is **55,0**.

DI changes in production output, DI**

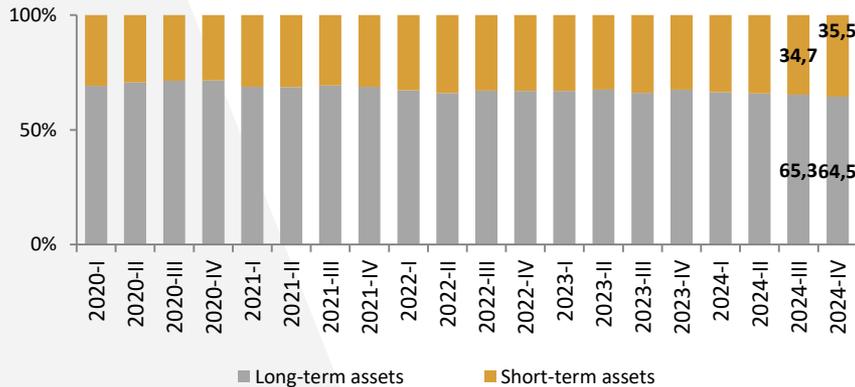


* Arithmetic weighted average is the average value of the interval, weighted by the share of enterprises.

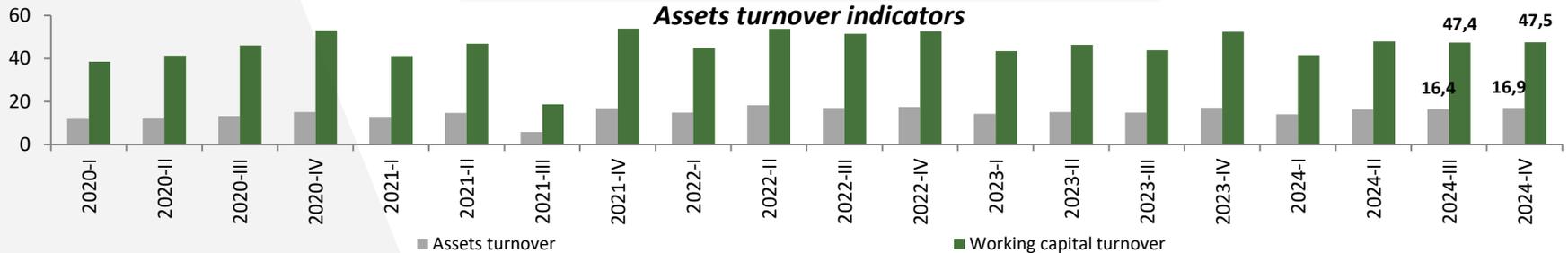
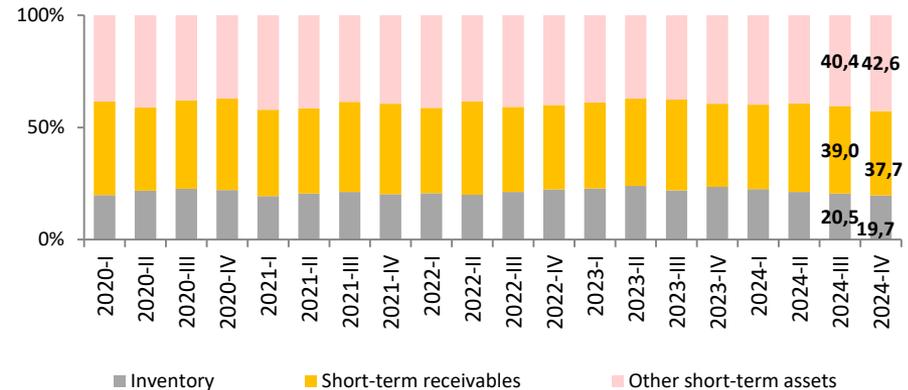
** The higher (lower) the DI from the level of 50, the higher (lower) the growth (fall) rate of the indicator, the level of DI = 50 means no change

BALANCE SHEET STRUCTURE: ASSETS

Assets structure



Short-term assets Structure



In Q4 of 2024 in the structure of assets of companies in the real sector of the economy, the share of short-term and long-term assets changed slightly, amounting to **35,5%** and **64,5%** (in Q3 of 2024 – 34,7% and 65,3%, respectively). Asset turnover* increased to **16,9%**, and working capital turnover ** increased to **47,5%**.

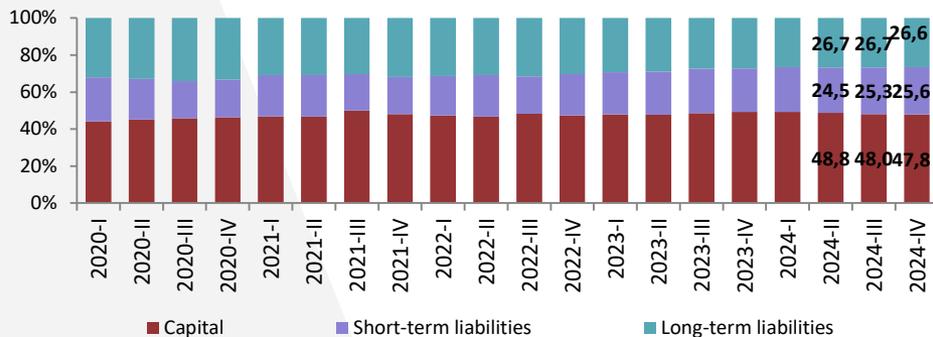
In the structure of short-term assets in the current quarter, the share of receivables decreased to 37,7% (in Q3 of 2024 – 39,0%), the share of inventories slightly decreased to the level of 19,7% (20,5% in Q3 of 2024).

Asset turnover = Income from product sales / Assets 100

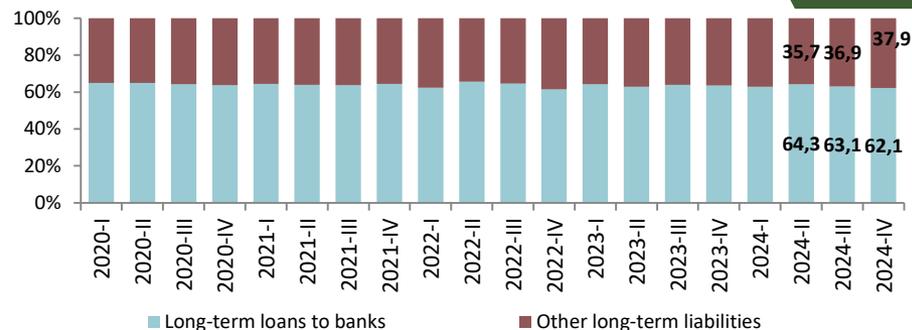
**Turnover of current assets = Income from product sales / Short-term assets* 100

BALANCE SHEETS STRUCTURE : LIABILITIES

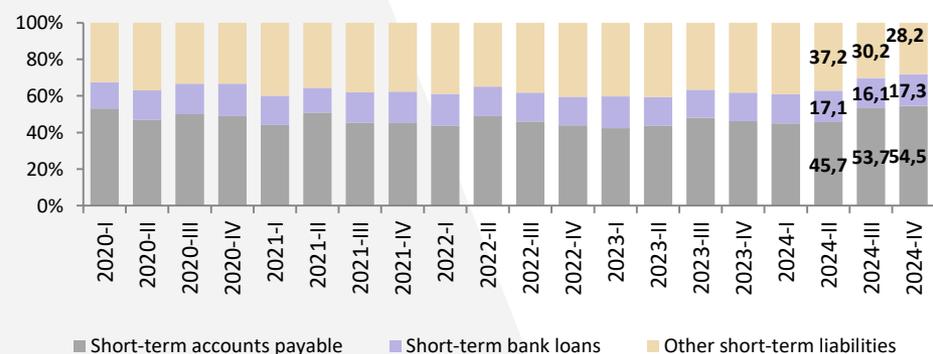
Liabilities structure



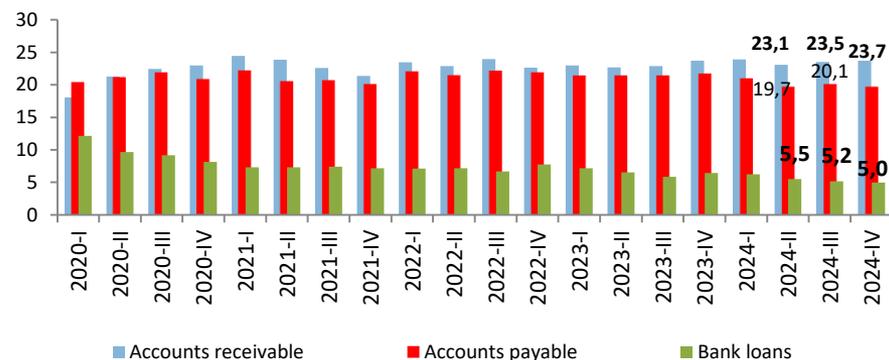
Long-term liabilities structure



Short-term liabilities structure



Share of enterprises with overdue debts

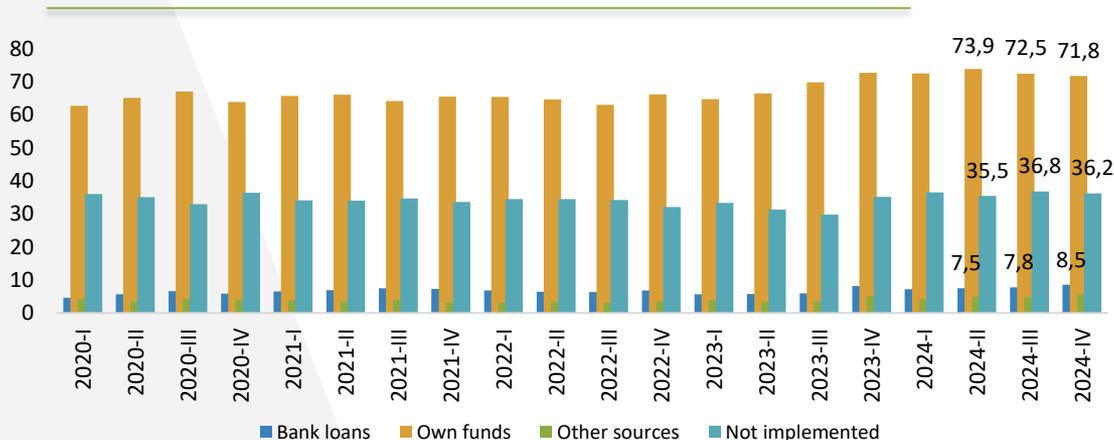


In Q4 of 2024 in the structure of liabilities there was an increase in the share of short-term liabilities to **25,6**, the share of long-term liabilities decreased and amounted to **26,6%**, and a decrease in capital to **47,8%**. In the structure of short-term liabilities, the share of short-term accounts payable increased from 53,7% in Q3 of 2024 to 54,5% in Q4 of 2024.

The share of enterprises with overdue accounts receivable increased up to **23,7%** and accounts payable slightly decreased and amounted to **19,7%**. At the same time, the share of enterprises with overdue debt on bank loans decreased to the level of **5,0%**.

INVESTMENT ACTIVITY

Funding source for fixed assets, %

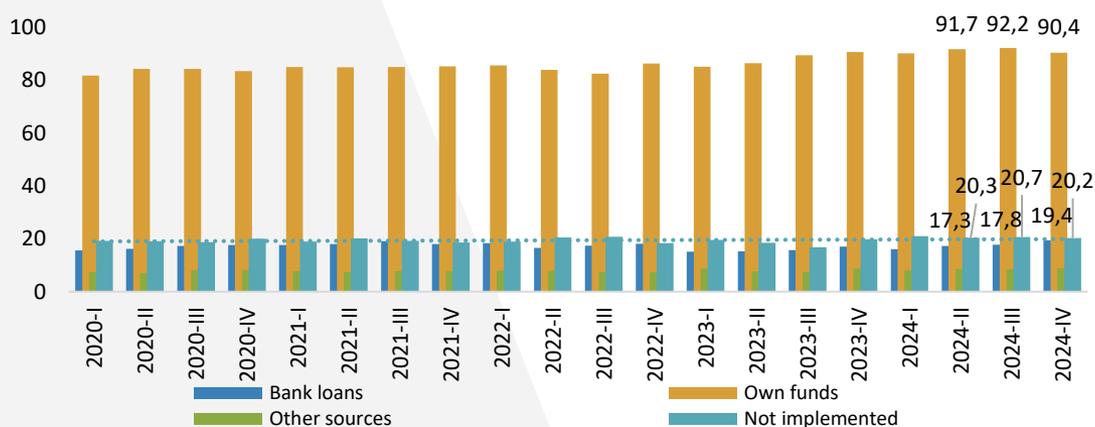


As before, most of the enterprises use their own funds to finance fixed and working capital (71,8% and 90,4%, respectively).

Meanwhile the share of enterprises that financed fixed assets and working capital via bank loans increased to 8,5% and 19,4%.

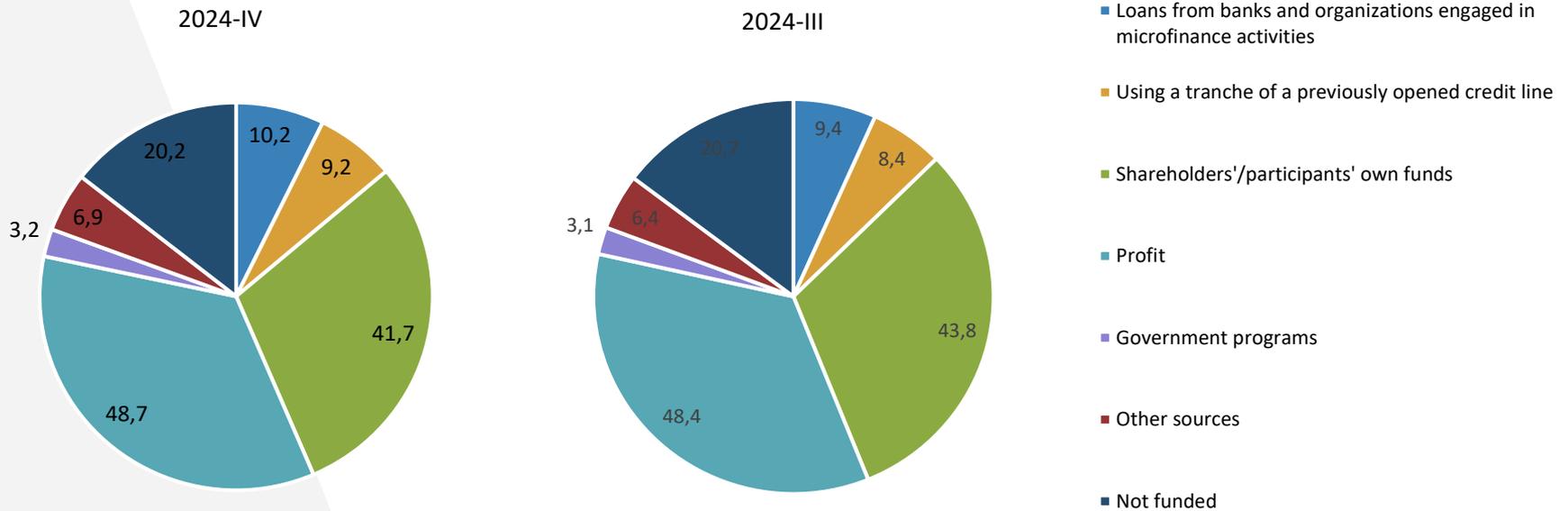
The share of enterprises that did not finance fixed assets and working capital decreased to 36,2% and 20,2% respectively.

Funding source for working capital, %



SOURCES OF WORKING CAPITAL FINANCING

Sources of working capital financing

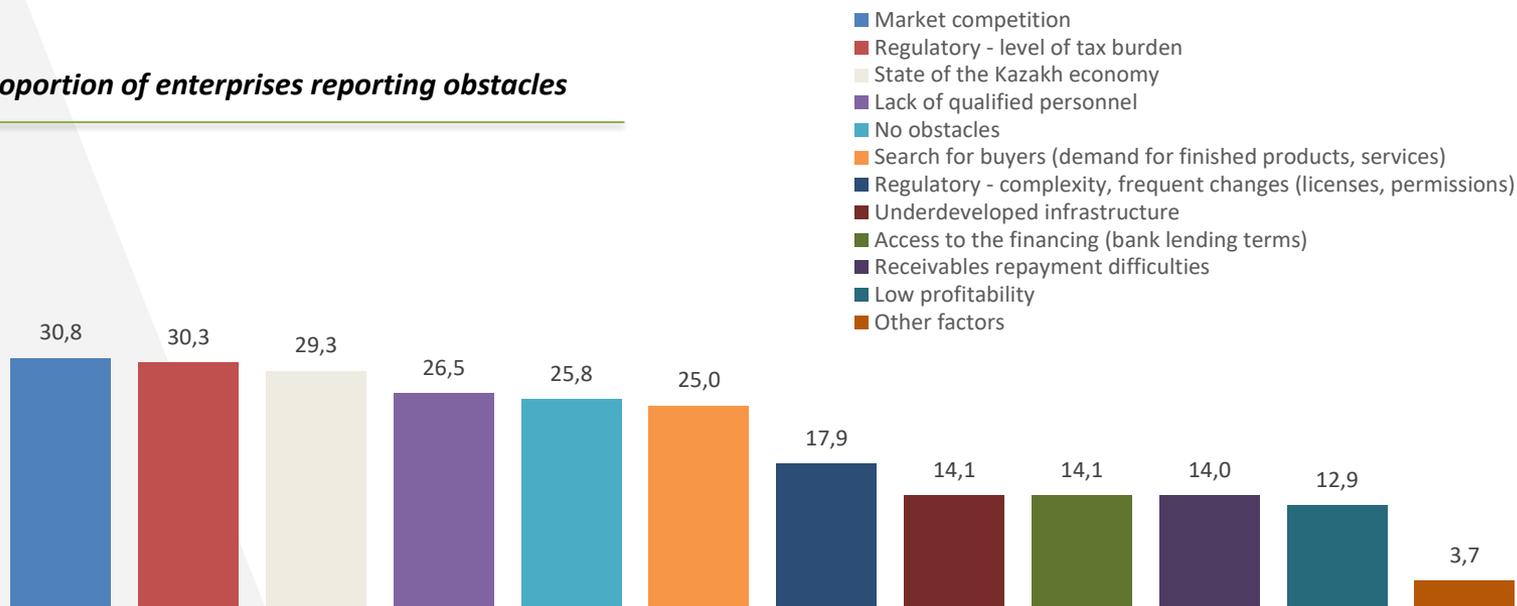


To finance **working capital**, the majority of enterprises (**90,4%**) used their own funds, of which **48,7%** were profits and **41,7%** were shareholders'/participants' own funds. Loans for these purposes were used by **19,4%** of enterprises (of which 9,2% used a tranche on a previously opened credit line, 10,2% - loans in Kazakhstan banks and organizations engaged in microfinance activities).

Among other sources, in addition to those presented in the graph, enterprises also indicate advances from customers, financial assistance, intra-group loans (between the parent company and subsidiaries) and subsidies.

OBSTACLES FOR DOING BUSINESS

Proportion of enterprises reporting obstacles



According to the results of survey in Q4 of 2024, for **30,8%** of enterprises the market competition and for 30,3% of enterprises the tax burden is an obstacle to doing business (in Q3 of 2024 the share of such enterprises was 29,4% and 28,8%). According to 29,3% (in Q3 of 2024 – 28,5%) of them, the economic situation in Kazakhstan worsened in Q4 of 2024, and 70,7% believe that it has not changed.

The most important factors for enterprises, except to the market competition, the state of the economy and regulatory complexity are such factors as the lack of qualified personnel (26,5%), the search for buyers (25,0%), regularity changes (17,9%), while **access to financing is ranked 8th (14,1%)** in terms of importance.

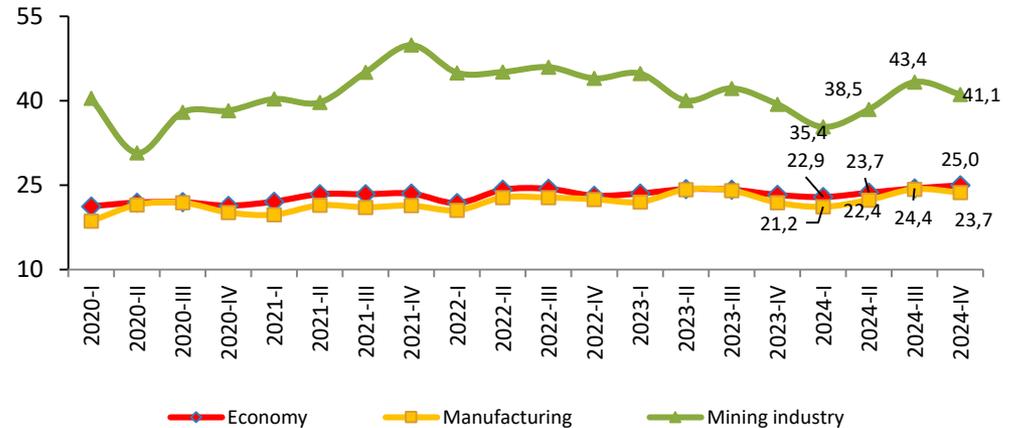
As other obstacles enterprises indicated to natural disasters, high interest rates, sanctions against the Russian Federation, a geopolitical situation in the world.

FINANCIAL AND ECONOMIC PERFORMANCE CHANGE

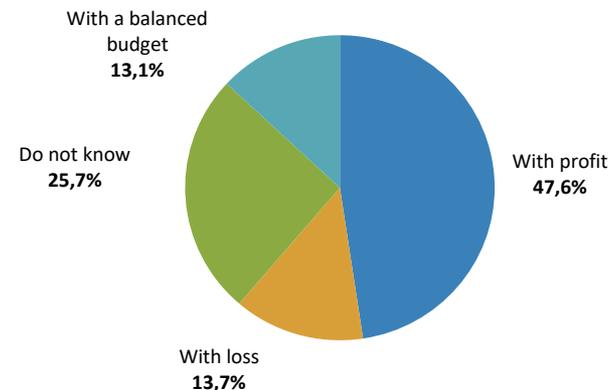
In Q4 of 2024 the average* return on sales** of enterprises decreased in the mining industry – 41,1%, in manufacturing industry amounted to 23,7%. As a result, the average return on sales in the economy as a whole amounted to **25,0%**.

The share of enterprises planning to close the year with a profit amounted to **47,6%** (in Q3 of 2024 – 46,3%), **13,7%** believe that the year will end with a loss. At the same time, **13,1%** of the surveyed enterprises think to close the year with a balanced budget (without profit or loss), the remaining 25,7% cannot assess the financial condition of the enterprise by the end of the year.

Return on sales *, in %



Share of enterprises planning to close the financial year with profit / loss, %

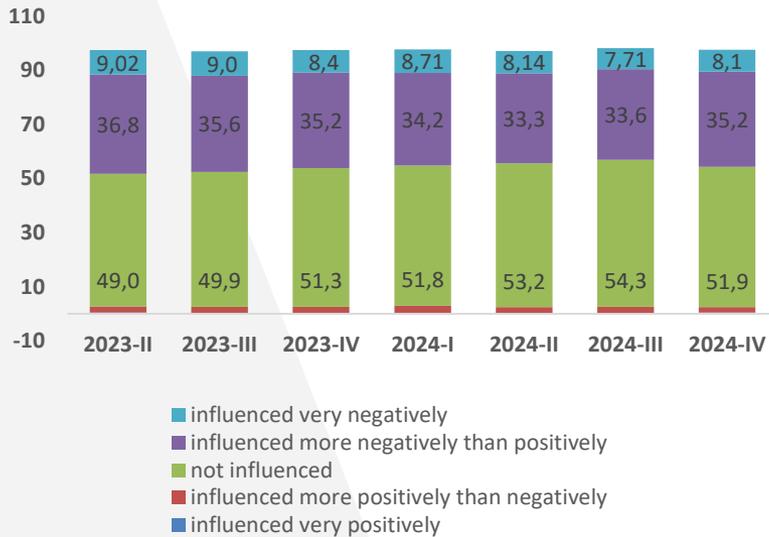


* Average median values are presented as they are less susceptible to extreme emissions than the arithmetic mean

** The sales profitability before expenses deduction on interest, taxes and depreciation is indicated

INFLUENCE AND CONSEQUENCES OF GEOPOLITICS

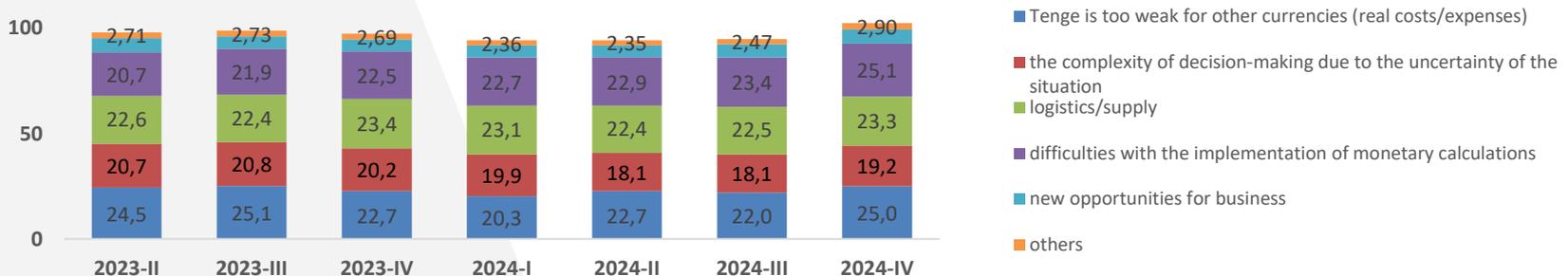
Influence of the geopolitical situation and sanctions imposed against the Russian Federation on the activities of enterprises, %



In Q4 of 2024 the activities of most enterprises – 43,3% (in Q3 – 41,3%) were negatively affected by the geopolitical situation and sanctions imposed against the Russian Federation, of which 8,1% were the hardest hit. However, 51,9% of respondents noted that geopolitics had no effect on their activities and only 4,8% noted a positive impact.

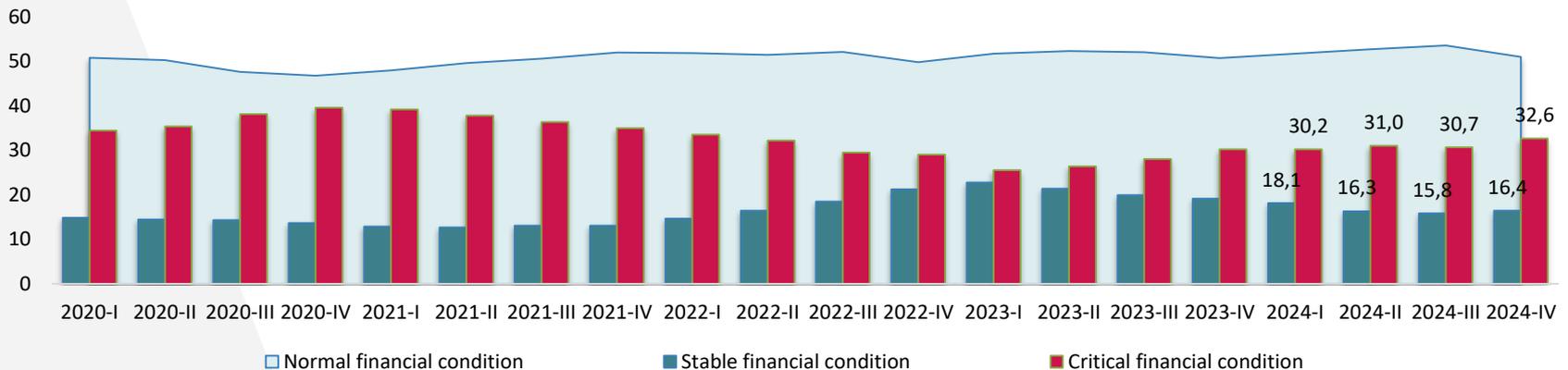
In Q4 of 2024, there was an increase in the number of enterprises who encountered that the Kazakhstani tenge was too weak against other currencies. The number of businesses were experiencing problems with money transfers, the logistics/supply problems and new opportunities for business increased, as well as those indicated to the complexity of decision-making due to uncertainty of the situation.

Consequences of the geopolitical situation on the activity of enterprises, %

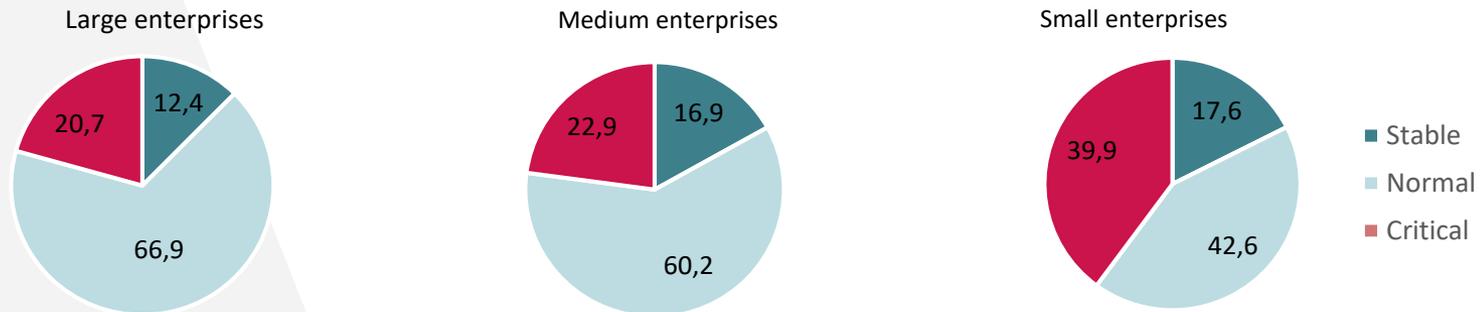


ASSESSMENT OF THE FINANCIAL CONDITION OF ENTERPRISES

*Dynamics of changes in the financial condition of enterprises *, share in %*



Enterprises distribution by degree of reliability by dimension in Q4 2024, share in %



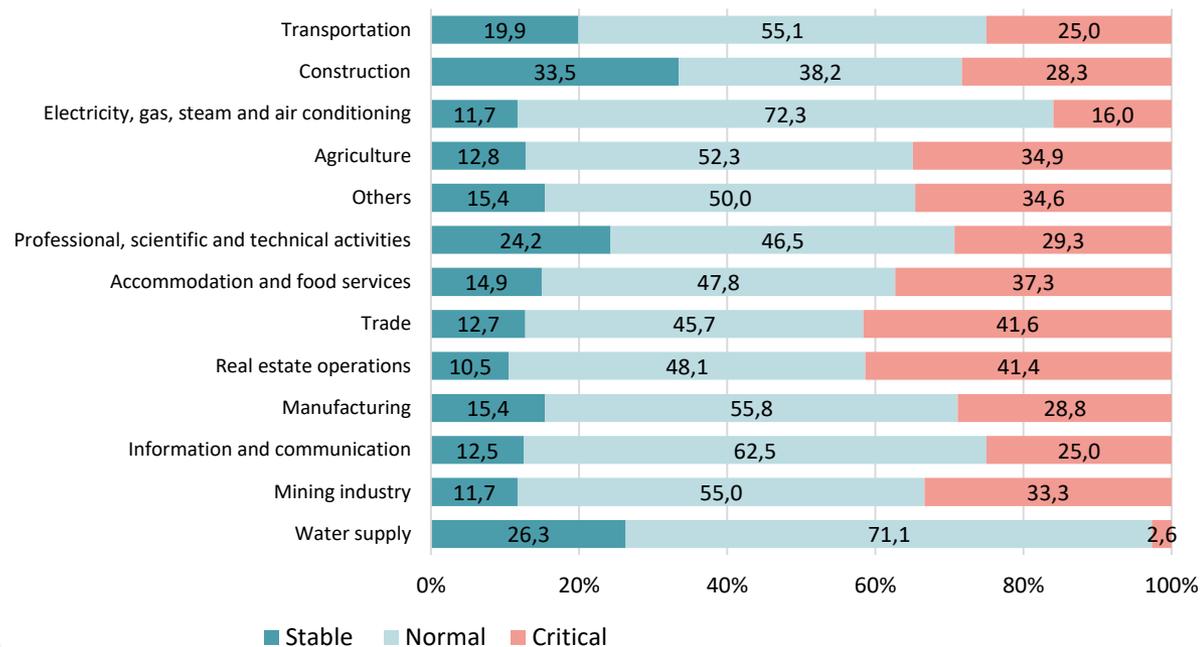
According to the results of a discriminant analysis based on an assessment of the financial ratios of enterprises, in Q4 of 2024, the share of stable enterprises increased to 16,4%, the share of enterprises with a critical financial condition increased to 32,6%.

By dimensions, the share of enterprises with a critical financial condition among small enterprises is significantly higher (39,9%) than among medium-sized (22,9%) and large enterprises (20,7%).

* The respondent enterprises are distributed according to the degree of reliability based on the values of financial indicators according to the results of discriminant analysis.

See the methodological commentary on slide 22.

Enterprises distribution by degree of reliability by type of activity in Q4 2024, share in %

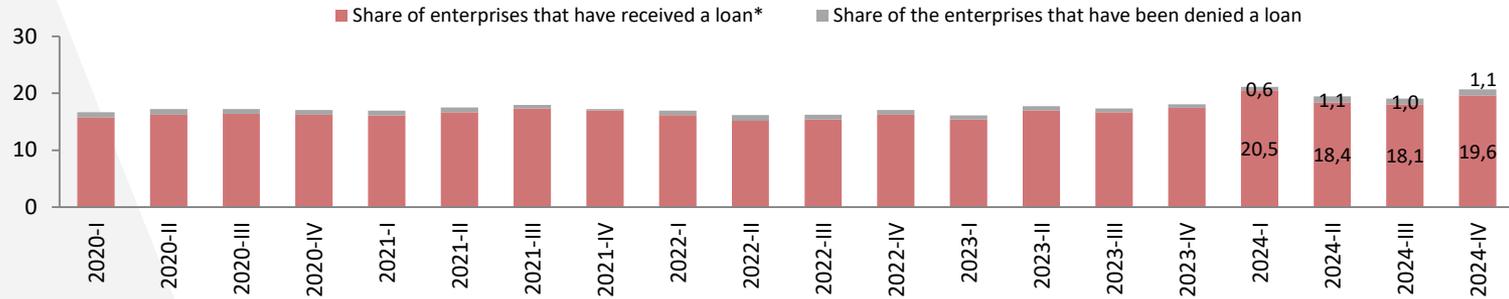


In Q4 of 2024 in all sectors the vast majority of enterprises have a stable or normal financial condition. The largest share of stable enterprises is in construction (33,5%) more than in others, the largest share of enterprises with a critical financial condition is more in trade (41,6%) and in real estate operations sector (41,4%) than in other sectors. Water supply and electricity sectors are turning out to be the most stable sectors, where the share of enterprises with a normal financial condition are higher than in other sectors.

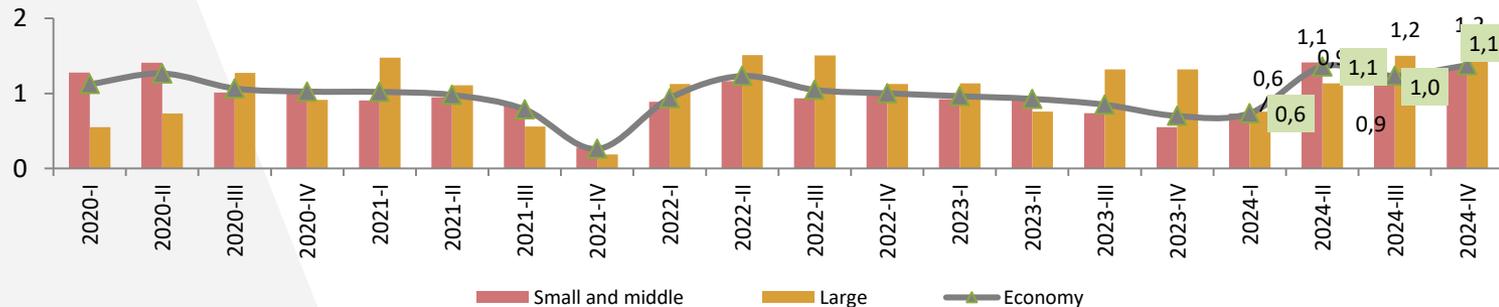
BANKING SYSTEM IMPACT ON THE REAL SECTOR OF THE ECONOMY

Demand for loans

Lending applications consideration



Share of enterprises that have been denied for a loan



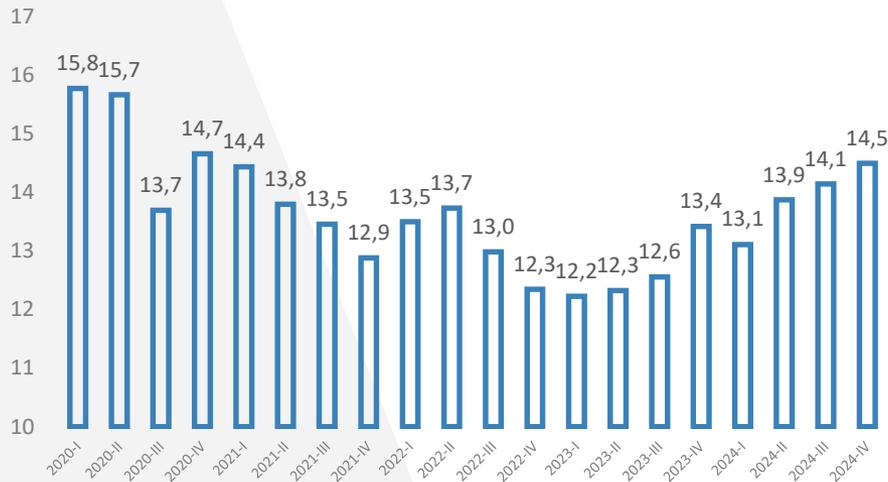
In Q4 of 2024, the share of those who applied for a loan increased compared to Q3 of 2024, 20,7% of the enterprises surveyed applied to the bank for a loan (19,1% in Q3), 19,6% of the enterprises received a loan (or 92,3% of those who applied for a loan). The share of loan refusals amounted to 1,1% of the total number of survey participants (7,7% of those who applied for a loan).

BANKING SYSTEM IMPACT ON THE REAL SECTOR OF THE ECONOMY

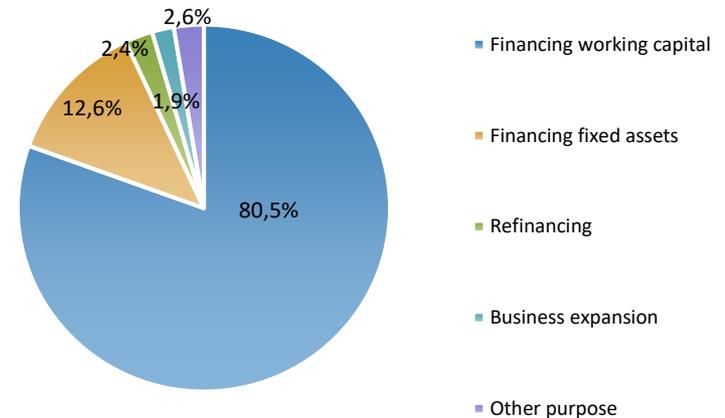
Debt burden estimations of enterprises *, %

Debt burden*	1%-20%	21%-30%	31%-40%	41%-50%	51%-60%	61%-70%	71%-80%	over 81%	no debt
share of enterprises, %	18,1	10,4	6,3	4,6	3,4	1,3	0,9	2,0	53,1

The weighted arithmetic mean value of the debt burden, %



The objectives of applying for loan in the past quarter, in %



In Q4 of 2024 53,1% of the enterprises that took part in the surveys **had no debt**. Most of those who had loans (18,1%) have a debt burden* within 20%. The weighted arithmetic average** value of the debt burden is 14,5%.

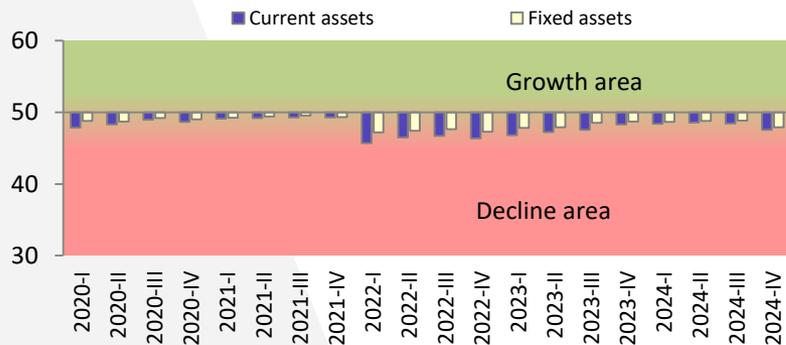
The vast majority of enterprises (80,5%) attracted a loan to finance working capital (purchase of materials, raw materials, semi-finished products, etc.), 12,6% - to purchase fixed assets (purchase of buildings, structures, vehicles, equipment, etc.) , 2,4% - for refinancing purposes, 1,9% - for business expansion.

* Monthly payment / income from sales of products

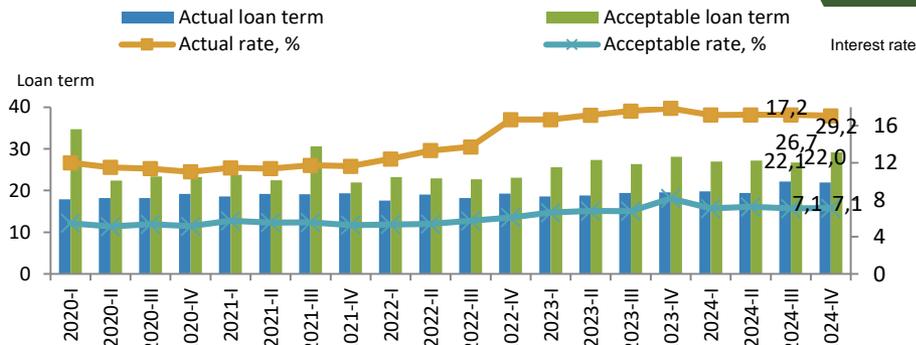
** Arithmetic weighted average is the average value of the interval, weighted by the share of enterprises.

BANKING SYSTEM IMPACT ON THE REAL SECTOR OF THE ECONOMY

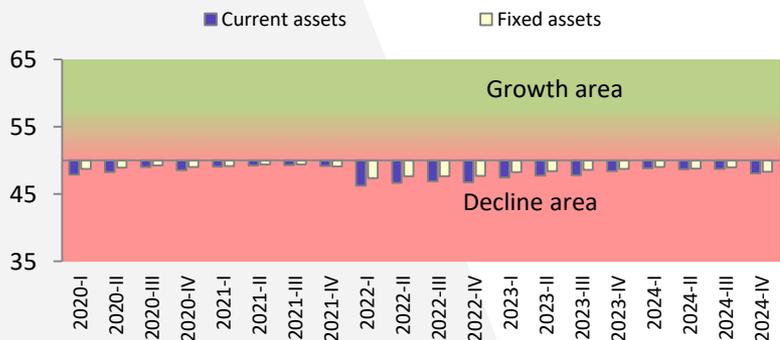
Price conditions



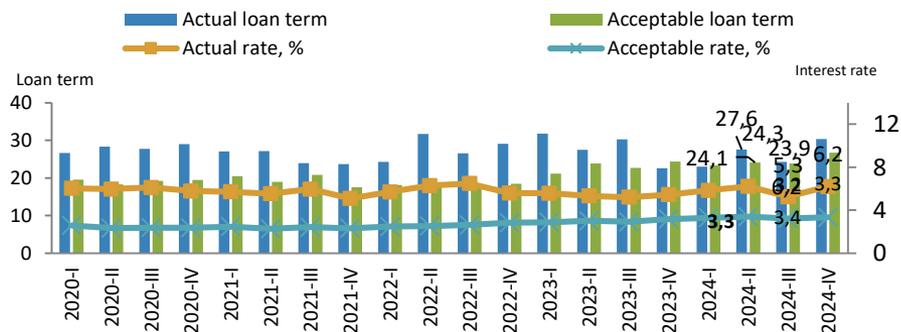
Loan terms and rates in tenge



Non-price conditions



Loan terms and rates in foreign currency

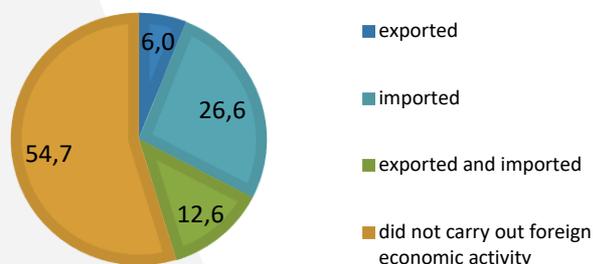


In Q4 of 2024 the assessments of enterprises regarding price (the level of interest rates on a loan, the amount of additional commissions) and non-price conditions (the maximum size and term of the loan, requirements for the financial condition of the borrower, requirements for collateral) slightly deteriorated and remained negative.

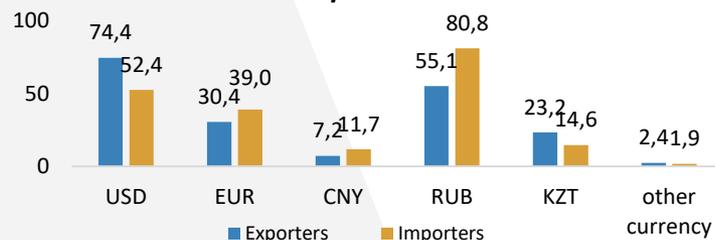
The average interest rates on loans received by survey participants were 17,1% in tenge and 6,2% in foreign currency (17,2% and 5,3% in the previous quarter, respectively). According to enterprises, the acceptable interest rate for them on loans in tenge is 7,1%, and on loans in foreign currency – 3,3%.

FOREIGN ECONOMIC ACTIVITIES OF ENTERPRISES (FEA)

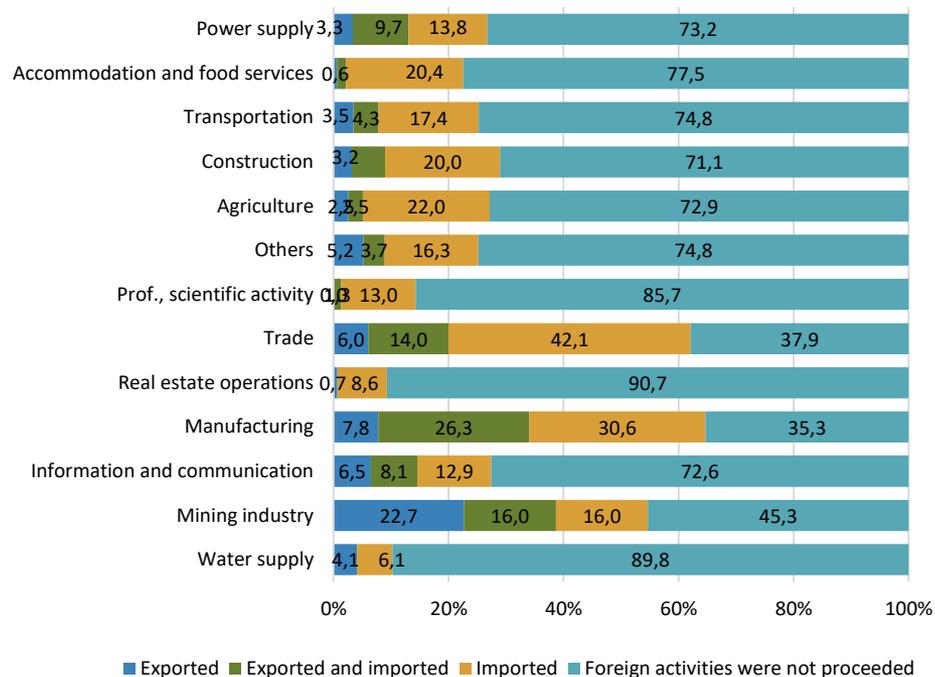
Implementation of foreign economic activity in the past quarter, the share of enterprises in %



Use of currency in calculations, share of enterprises in %



Foreign economic activity by activity type, share of enterprises in %

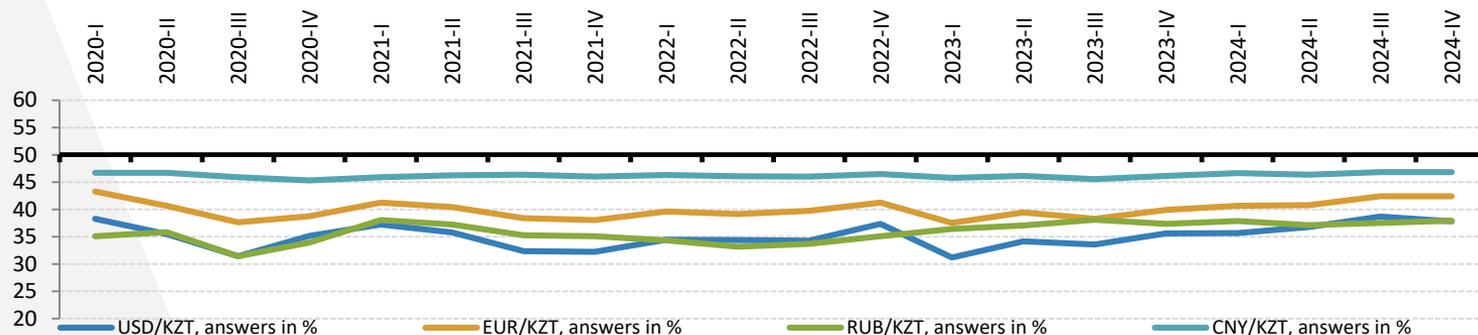


In Q4 of 2024 **26,6%** of respondents imported products to run their business, **6,0%** exported, **12,6%** exported and imported, and the vast majority (**54,7**) had not carry out foreign economic activity. The largest share of enterprises that exported products was in mining industry (**22,7%**), imported products was in trade (**42,1%**). In the manufacturing industry the largest share of enterprises engaged in foreign economic activity.

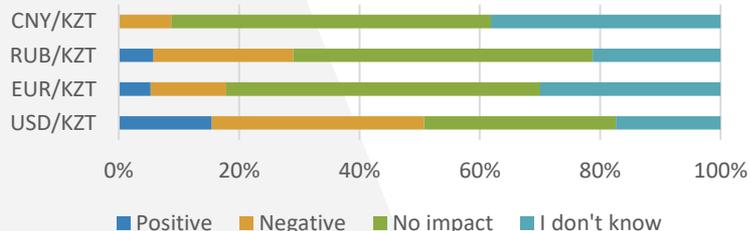
In settlements with foreign partners, exporters more often use the US dollar (**74,4% of exporters**), importers use the Russian ruble more (**80,8% of importers**). The Euro, British pound sterling, Swiss franc, Kyrgyz som and Turkish lira were also indicated as other currencies used in the settlements.

IMPACT OF EXCHANGE RATE CHANGES

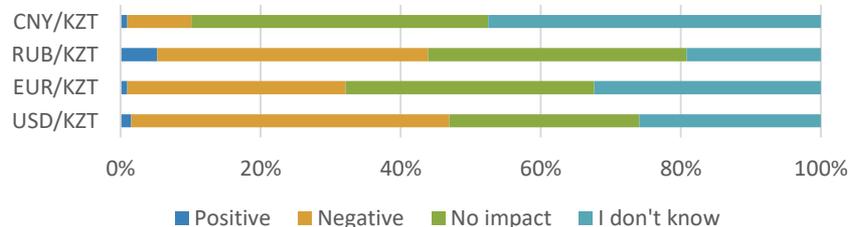
*Dynamics of the impact of changes in the exchange rate, DI **



Impact of the exchange rate on the economic activities of exporters in Q4 2024



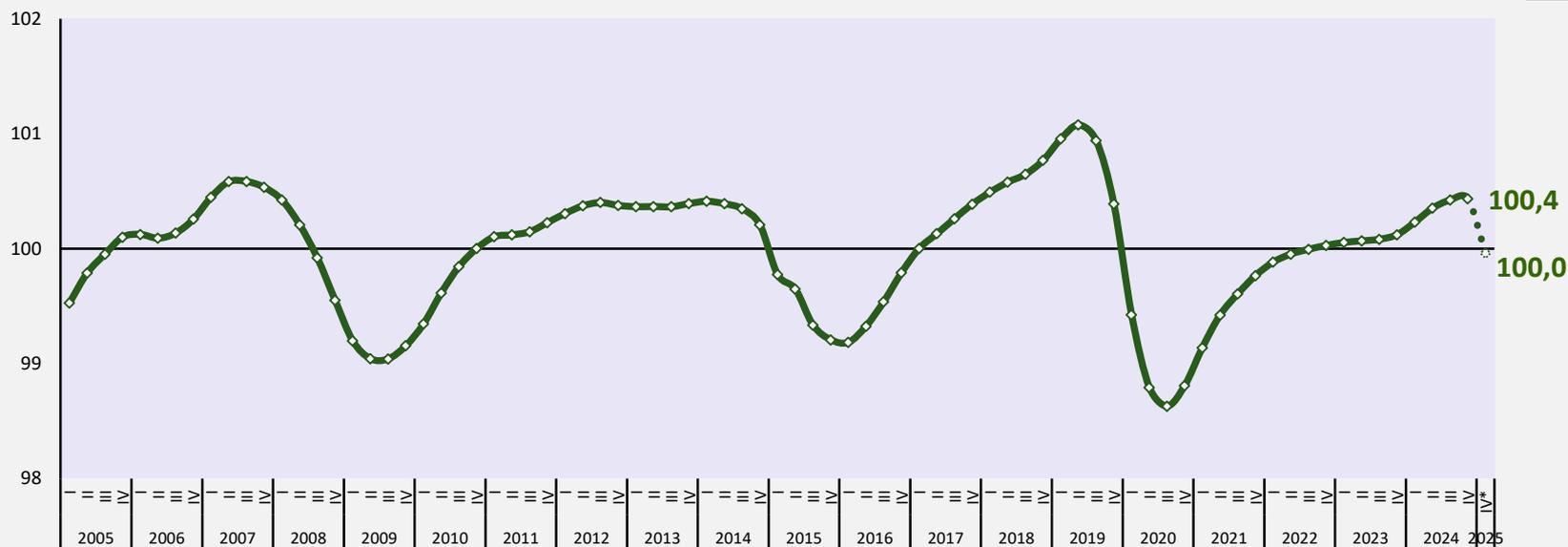
Impact of the exchange rate on the economic activity of importers in Q4 2024



In Q4 of 2024 the negative impact on the economic activity of enterprises of the change in exchange rates increased for USD. The most negative impact for exporters was the change in the exchange rate of the tenge to the USD and ruble. Enterprises experience the least negative impact on their economic activities from the CNY/KZT and euro exchange rate.

* The higher (lower) the DI from the level of 50, the higher (lower) the growth (fall) rate of the indicator, the level of DI = 50 means no change

COMPOSITE LEADING INDICATOR*



In Q4 of 2024 the dynamics of the composite leading indicator (CLI), which is an aggregate assessment of surveys of enterprises in the real sector, demonstrates a growth of economic activity in the real sector. CLI increased to 100,4, better than expected.

The dynamics of the CLI was positively affected by the growth of credit activity, the growth of average sales profitability, the decrease in the share of enterprises with overdue debt on bank loans, and the negative impact was exerted by the change in exchange rates. In Q4 of 2025, a slowdown in the indicator is expected due to the expected decrease in the level of capacity utilization and demand in real estate transactions (CLI by expectations is 100.0).

* A composite leading indicator is used to identify turning points in the business cycle and provides good quality information about the state and directions of trends in the economic activity. A composite leading indicator reflects a summarized evaluation of opinions of managers of the interviewed enterprises regarding the existing and anticipated situation in their enterprises and possesses the forward-looking feature of the real GDP behavior for 1-2 quarters. Construction of CLI is based on the OECD methodology («OECD System of Composite Leading Indicators, Methodology Guideline», OECD 2012).

** The CLI parameters for Q1 2025 are calculated on the basis of expectations among enterprises in the real sector that participated in the survey.

- The diffusion index (DI) as reflected in tables and in figures is calculated as a sum of positive responses and a half of “no change” responses. This index is a generalized indicator which characterizes the behavior of the reviewed indicator. If its value is above 50 – this means a positive change, if it is below 50, then the change is negative. In doing so, the further (the higher) the value of the diffusion index deviates from 50, the higher are the rates of change (increase or decrease) of the indicator.
- The indicator of “an acceptable interest rate on bank loans” is calculated as the average of interest rates indicated by enterprises participating in the monitoring process as acceptable rates for these enterprises in terms of the existing level of profitability of production.
- Numbers reflecting financial ratios are provided as average values calculated based on the whole sample of interviewed enterprises as well as broken down by sector, where necessary, based on estimates of the quarter-end balance sheet numbers received from enterprises. In doing so, the evaluation data as well as the averages calculated on their basis are not aiming at obtaining the absolute precision of their values (since they are not the reporting ones) but rather serve for obtaining updated estimates and for analyzing the trends of the change in the state of the non-financial sector of the economy and its sectors.
- Discriminant analysis allows to identify the most informative indicators of the financial condition of the enterprise and determine the approach of a crisis situation at the enterprise, and thus classify them according to the degree of reliability. The distribution of enterprises into groups (stable, normal and critical) is carried out using classification functions, including 3 financial indicators: the income growth rate from sales of products per employee, the coefficient of financial independence and the equity capital growth rate. Details in the economic research <https://www.nationalbank.kz/file/download/9013>.
- The composite indicator (CLI) possesses the forward-looking feature of the real GDP behavior for 1-2 quarters. The time series of the CLI are cleared of seasonality and do not contain the trend, i.e. they only include a cyclical component as determined by short-term fluctuations of the economic market environment. For comparability purposes, the resulting cyclical components are standardized, i.e. they are reduced to one (non-dimensional) unit of measurement.
- The CLI serves to reflect short-term development trends in the real sector of the economy as a whole. It possesses the following features: 1) it has a forward-looking nature; 2) it reflects a cyclical nature in the development of the real sector of the economy; 3) it is quickly designed since it is built on the basis of on-the-spot interviews of enterprises.

METHODOLOGICAL COMMENTS