SECTORAL MARKET REVIEW

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

Q3 2021

**Monetary Policy Department
National Bank of Kazakhstan**

General

I. Assessment of economic conditions:

- competitive environment (p. 4)

- conditions for investment activity (p. 5)

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- credit conditions (p. 7-8)

- impact and consequences of the pandemic (p. 9)

II. Assessment of real performance indicators of enterprises

- dynamics of demand and prices (p. 10)

- capacity utilization (p. 11)

- financial performance of enterprises (p. 12-14)

- debt burden in industries (p. 15)

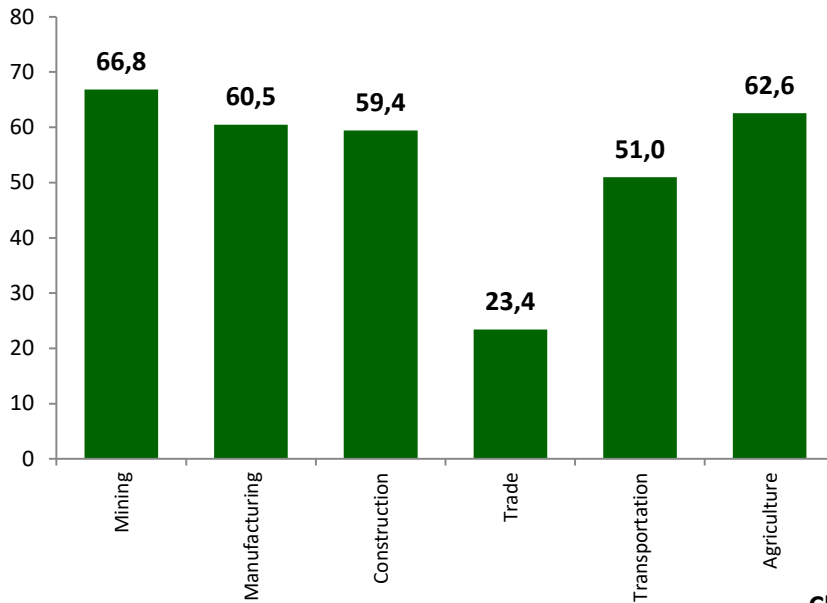- production and labor costs (p. 16)

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	➢ 3Q 2021
Total monitoring participants	➢ 3326

Sample details	
Mining enterprises	➢ 199
Manufacturing enterprises	➢ 708
Construction enterprises	➢ 345
Trade enterprises	➢ 938
Transport and warehouse enterprises	➢ 253
Agricultural enterprises	➢ 195
Total respondents for the sample	➢ 2 638

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

The sample for the **mining industry** is represented mainly by large and medium-sized enterprises (**66,8**%), among which the largest share consists of companies extracting 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 **60,5**% 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** (**62,6**% and **59,4**%, respectively).

In transport and warehousing more than half of the sample is represented by large and medium-sized enterprises (**51,0**%), most of which provide services for the transportation of oil and oil products via pipelines. Among them there are many enterprises from the register of natural monopoly entities.

In **trade** the share of large and medium-sized enterprises in the sample, as well as in the general population, is low (**23,4**%).

The **representativeness*** of the sample for these industries is 41,5%.

In Q3 of 2021, the importance of competition has increased for all industries expect **mining** industry.

Trade remains the most affected industry by market competition, with **42,4**% of enterprises feeling the impact of market competition on their business. The share of enterprises in **manufacturing** reached **32,1%,** in **transport and warehousing** – **26,9**%, in **construction** - **25,8**%. The smallest share is in **agriculture** and **mining** industry, with **19,0**% and **14,6**%, respectively.

Chart 2. The share of enterprises whose further development opportunities are limited by market competition from other enterprises (%)
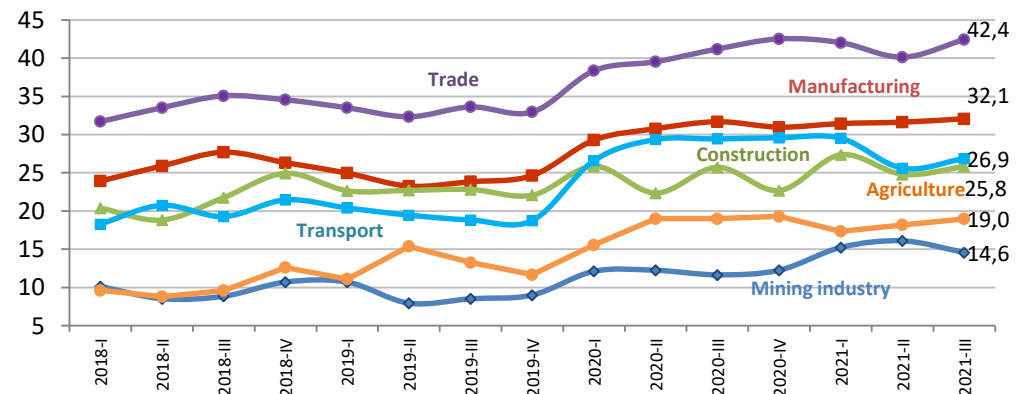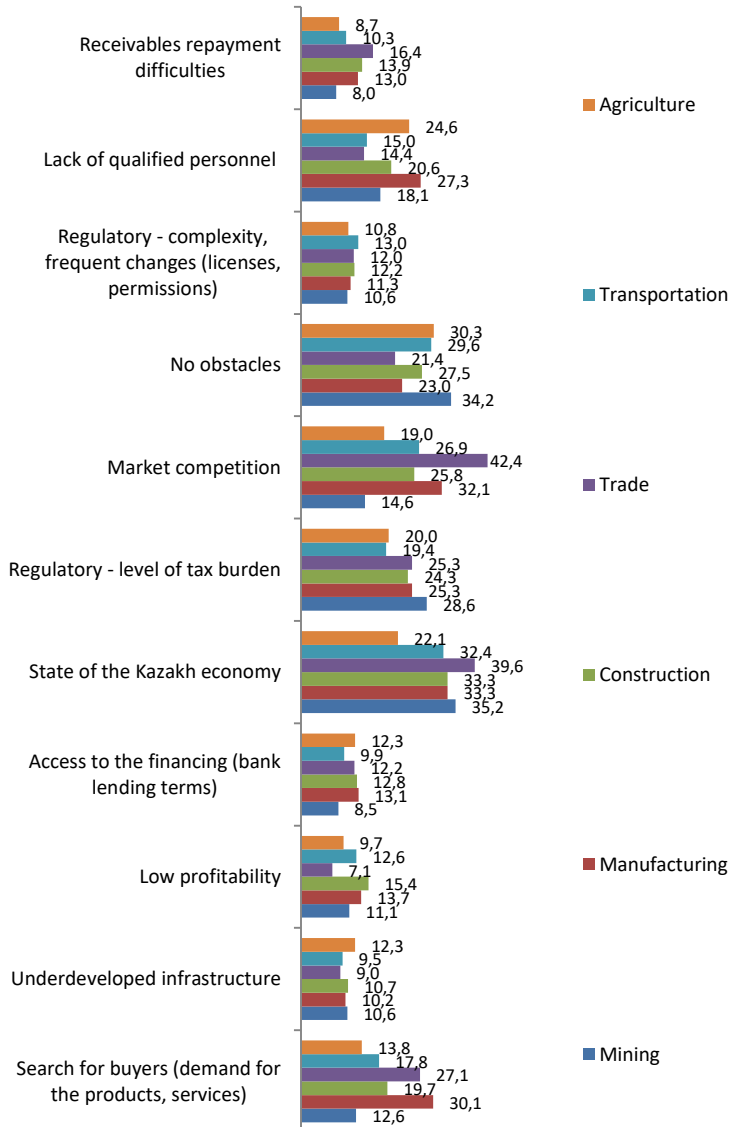
* *Representativeness in the monitoring of enterprises is assessed by the formula: SI ME / SI SC * 100, where SI ME is the income from product sales (SI) of enterprises participating in the NBRK monitoring; SI SC – sales income according to Statistics Committee.*
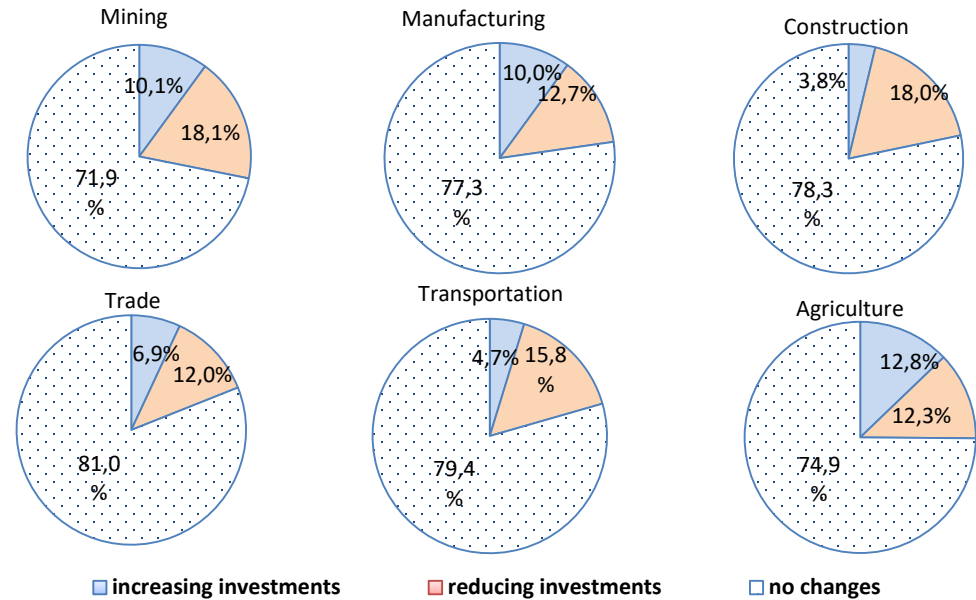* The representativeness* of the sample is given for 4th quarter of 2020.

Chart 3. Restrictions on investment activity of enterprises

Receivables repayment difficulties
- 8,7
- 10,3
- 16,4
- 13,9
- 13,0
- 8,0

Lack of qualified personnel
- 24,6
- 15,0
- 14,4
- 20,6
- 27,3
- 18,1

Regulatory - complexity, frequent changes (licenses, permissions)
- 10,8
- 13,0
- 12,0
- 12,2
- 11,3
- 10,6

No obstacles
- 30,3
- 29,6
- 21,4
- 27,5
- 23,0
- 34,2

Market competition
- 19,0
- 26,9
- 42,4
- 25,8
- 32,1
- 14,6

Regulatory - level of tax burden
- 20,0
- 19,4
- 25,3
- 24,3
- 25,3
- 28,6

State of the Kazakh economy
- 22,1
- 32,4
- 39,6
- 33,3
- 33,3
- 35,2

Access to the financing (bank lending terms)
- 12,3
- 9,9
- 12,2
- 12,8
- 13,1
- 8,5

Low profitability
- 9,7
- 12,6
- 7,1
- 15,4
- 13,7
- 11,1

Underdeveloped infrastructure
- 12,3
- 9,5
- 9,0
- 10,7
- 10,2
- 10,6

Search for buyers (demand for the products, services)
- 13,8
- 17,8
- 27,1
- 19,7
- 30,1
- 12,6

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

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

Mining
- 10,1%
- 18,1%
- 71,9%

Manufacturing
- 10,0%
- 12,7%
- 77,3%

Construction
- 3,8%
- 18,0%
- 78,3%

Trade
- 6,9%
- 12,0%
- 81,0%

Transportation
- 4,7%
- 15,8%
- 79,4%

Agriculture
- 12,8%
- 12,3%
- 74,9%

□ **increasing investments**   □ **reducing investments**   □ **no changes**

In Q3 of 2021, according to many enterprises, **the state of the economy of Kazakhstan** was the main obstacle to doing business.

For trade enterprises, the most important factor is **competition** from other businesses. For manufacturing and trade enterprises, an important factor hindering business development is **insufficient demand** for products, **27,3%** enterprises of manufacturing and **24,6% of** agricultural enterprises note the lack of qualified **personnel**.

In the next 12 months, financing across all sectors will remain mainly unchanged, the largest increase in financing is planned in the agriculture, mining and manufacturing, and the smallest - in construction and in the trade. The largest reduction in investment is expected in mining industry, the smallest - in the trade. In all the industries under consideration except agriculture, the share of enterprises planning to reduce investments is greater than the share of those planning to increase them.

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

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Chart 5. Use of foreign currency in settlements (share of enterprises,%)

Legend: USD, Euro, RUR, CNY, KZT
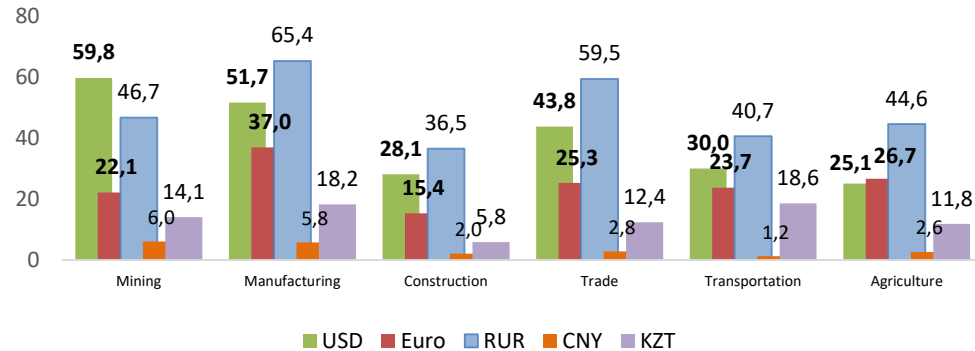
The main currency used in calculations with foreign partners for all the industries under consideration, except for the mining industry, is Russian ruble (in the manufacturing industry the share of enterprises using Russian ruble is **65,4**%, in trade – **59,5**%). The US dollar dominates only in the mining industry (**59,8%**). Tenge in the calculations was the most used by transportation enterprises (**18,6%**) and in manufacturing **(18,2%).**

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)

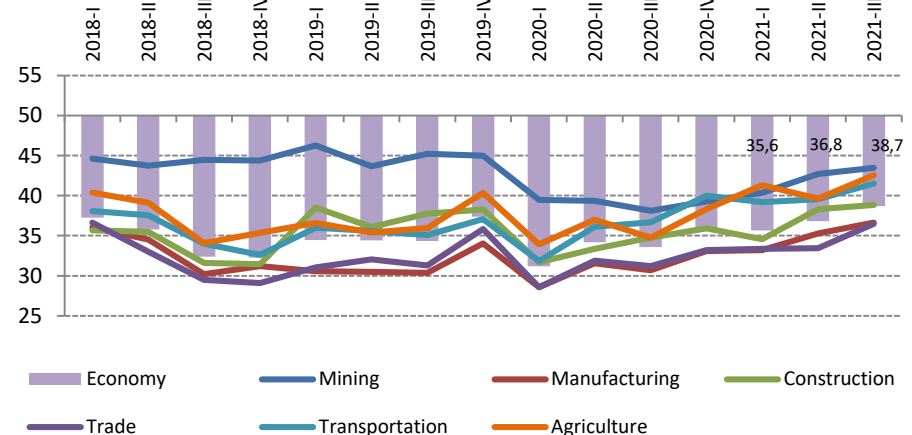Legend: Economy, Mining, Manufacturing, Construction, Trade, Transportation, Agriculture
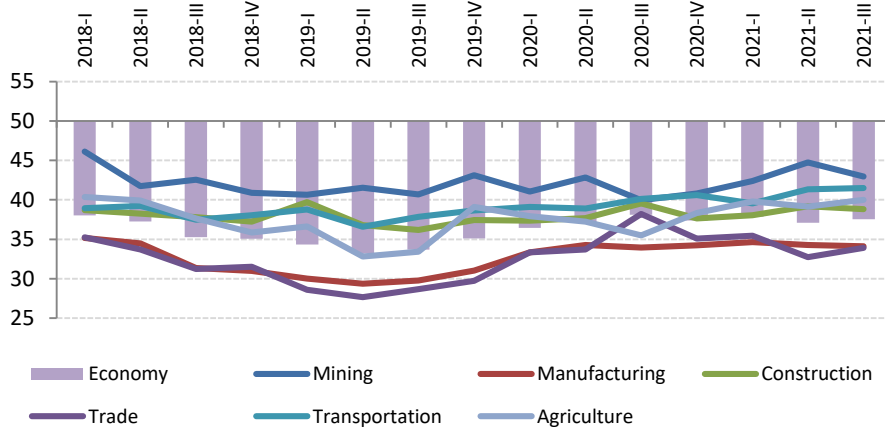
Chart 7. Impact of changes in the exchange rate of the tenge against the Russian ruble on the activities of the enterprise (DI by industry for the quarter)

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

In Q3 of 2021, the negative impact of the exchange rate of tenge **against the Russian ruble decreased** for economy, increased for mining and construction, at the same time it decreased for other industries, particularly for trade and agriculture. The negative impact of exchange rate of the tenge **against the US dollar decreased** for all industries. As a result DI in the economy increased to 38,7.

* 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,%
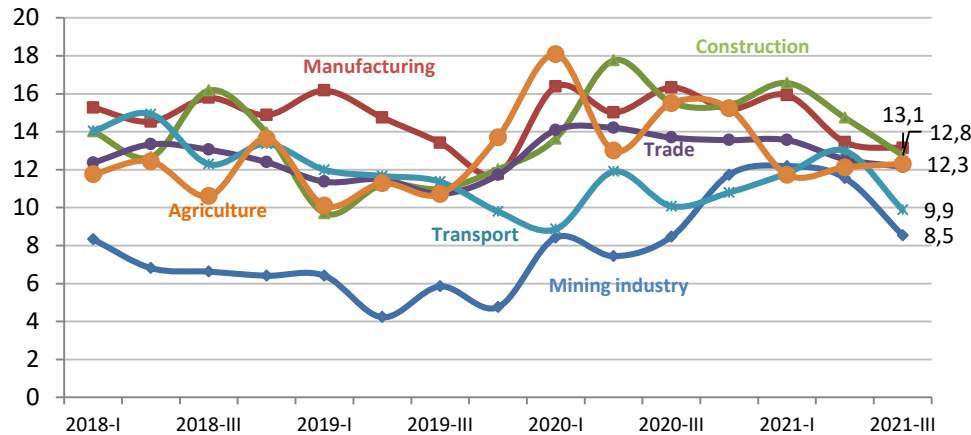
Table 1. Average lending rates,%

	In tenge		In foreign currency	
	in fact	preferred	in fact	preferred
Mining	12,0	3,9	4,8	1,8
Manufacturing	11,0	5,3	6,3	2,3
Construction	13,4	7,7	8,3	2,5
Trade	11,7	6,7	6,6	3,3
Transportation	11,7	4,2	4,1	2,0
Agriculture	12,2	4,3	-	1,5

Chart 9. Companies intending to apply for a loan in Q3 and in Q4 2021,%
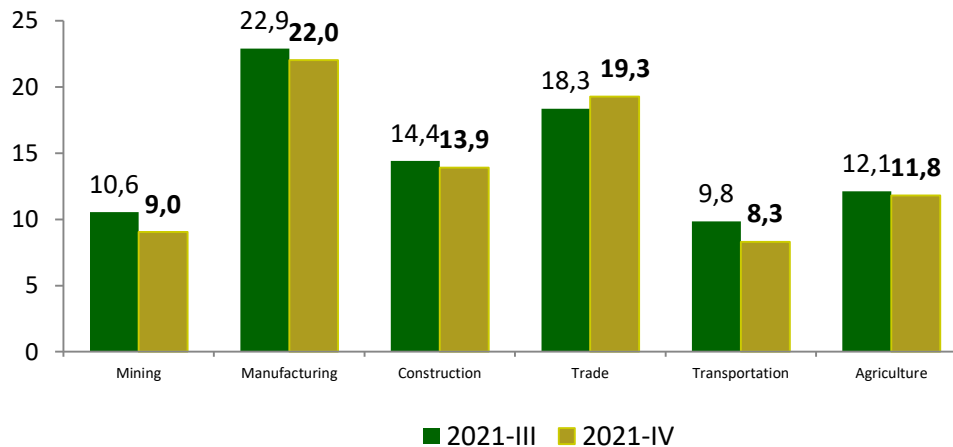
In Q3 of 2021, agriculture sector enterprises note worsening of the access to bank loans, while all other industry enterprises report an improvement. The largest number of enterprises which claim that credit conditions are unacceptable belongs to manufacturing (**13,1**%). The smallest number corresponds to transport and warehousing and mining.

The highest interest rates on loans received in tenge (13,4%) and in foreign (8,3%) currency were observed in construction.

The largest share of enterprises intending to apply for a loan in Q4 of 2021 is in the manufacturing and trade (**22,0% and 19,3%, respectively**), the smallest - in the "transportation and warehousing" industry (**8,3**%).
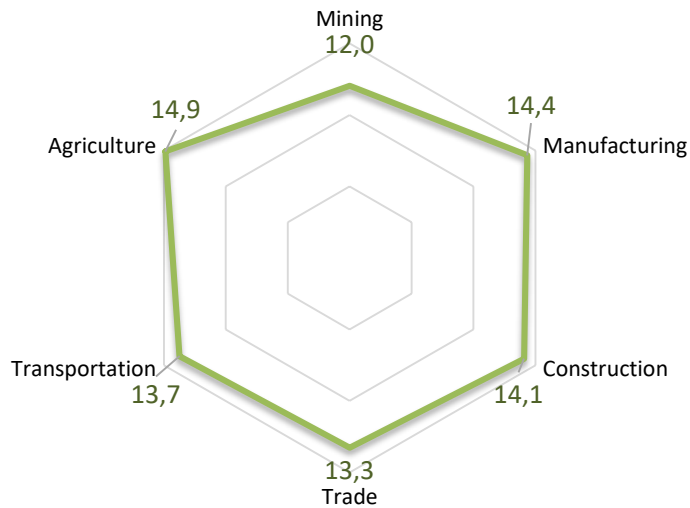
Chart 10. Weighted average* credit load **,%

Mining 12,0
Manufacturing 14,4
Agriculture 14,9
Construction 14,1
Transportation 13,7
Trade 13,3

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

■ 2021-2 ■ 2021-3

	Mining	Manufacturing	Construction	Trade	Transportation	Agriculture
2021-2	4,0	7,7	6,3	7,1	7,1	9,1
2021-3	4,0	8,9	6,4	8,2	6,3	10,8

Chart 12. Results for consideration of loan applications, number

Received loan

7 3
31
42
8

Denied loan

2
2
6
6
3

■ Mining ■ Manufacturing ■ Costruction ■ Trade ■ Transport ■ Agriculture

In Q3 2021, the weighted average credit burden in agriculture was higher than in other sectors. In agriculture, in average **14,9**% of income from sales of products is spent for debt repayment. The lowest value of this indicator was noted in mining (**12,0**%).

In all sectors, except for the transport and warehousing and mining, the share of enterprises with overdue (more than 90 days) debt on bank loans decreased. The largest share of such enterprises is in agriculture (**10,8**%), the smallest - in the mining industry (**4,0**%).

In Q3 of 2021, **19 enterprises** from the sample were denied loans, most of them are manufacturing and trade enterprises. The least quantity of such enterprises is in transport and warehousing and agriculture. There was no such kind of companies in mining.

* 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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Chart 13. impact of the pandemic and restrictive measures to prevent the spread of infections by industry

Industry	did not affect	affected rather negatively than positively	influenced strongly negatively
Transport	31,6	51,0	16,2
Trade	27,7	54,6	14,6
Construction	22,0	60,9	16,2
Manufacturing	35,9	52,3	9,9
Mining	30,7	58,3	11,1
Agriculture	46,7	46,2	5,6
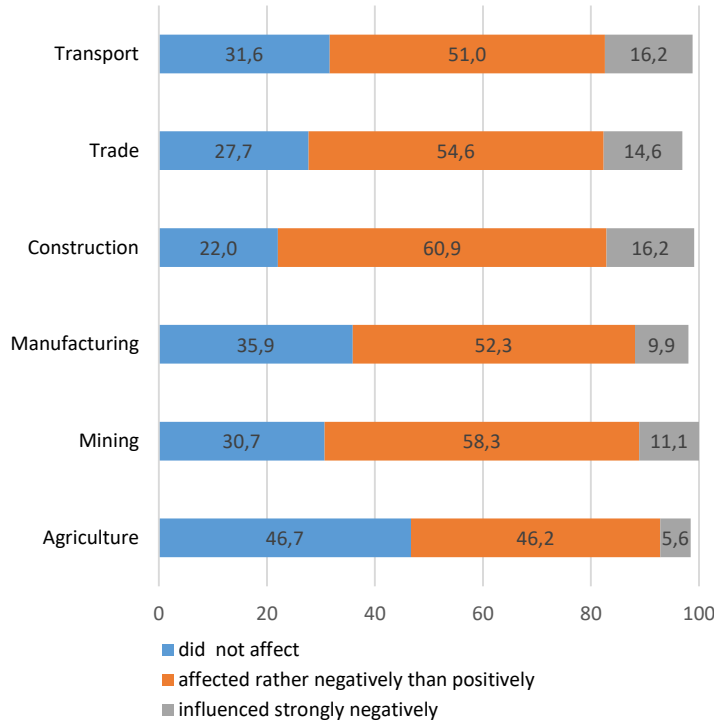
Chart 14. Recovery period estimation
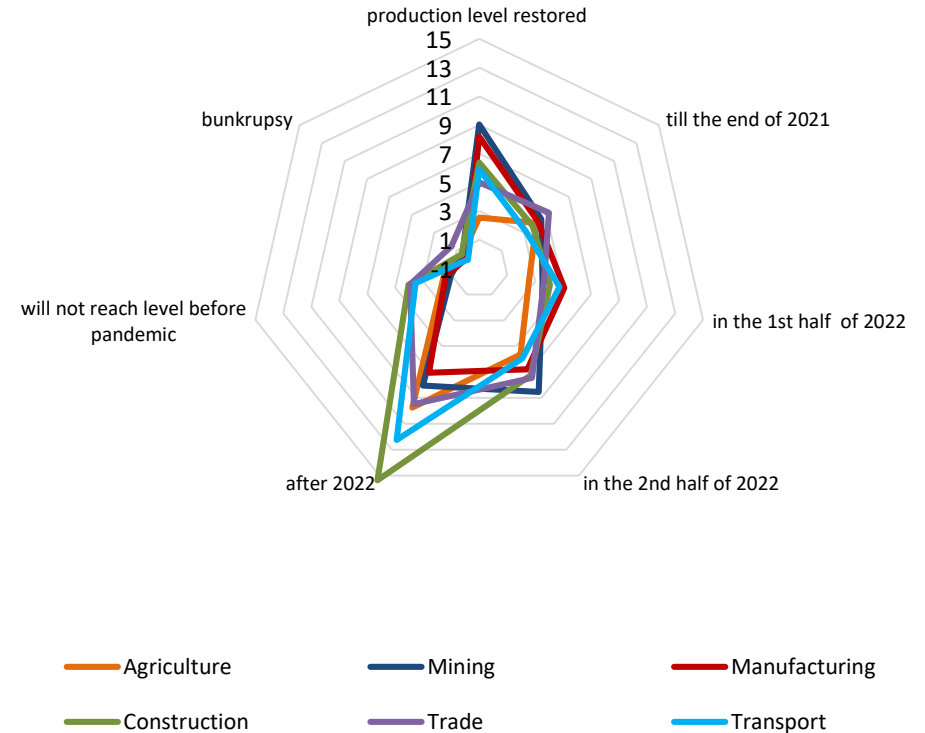
A significant number of the respondents noted the negative impact of the pandemic and restrictive measures which were made to prevent from COVID-19 infection on their activities. Almost all industries were affected by the consequences of the pandemic, but construction and agriculture were most affected.

According to the survey results, the most significant share of enterprises that have restored production to a prepandemic level is in the mining and manufacturing industries (9.1% and 8.2%, respectively). Construction and transport enterprises will recover the latest, 15.4% and 12.3%, respectively in this sectors, announced that their production level will reach prepandemic level only after 2022.

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Assessment of real performance indicators of enterprises:
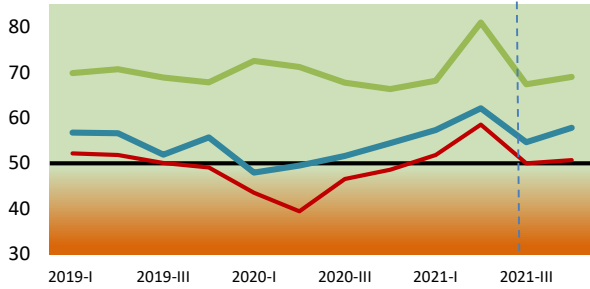
Chart 15. Mining industry, DI*
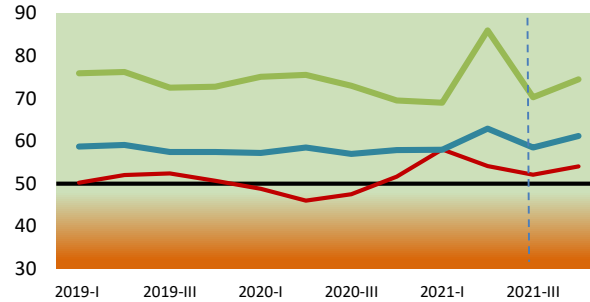

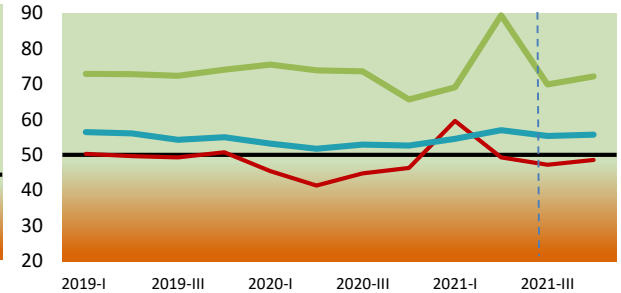### Chart 16. Manufacturing, DI*

Chart 17. Construction, DI*

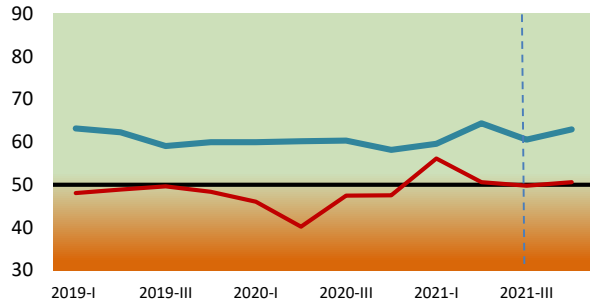### Chart 18. Trade, DI*

Chart 19. Transportation and warehousing, DI*
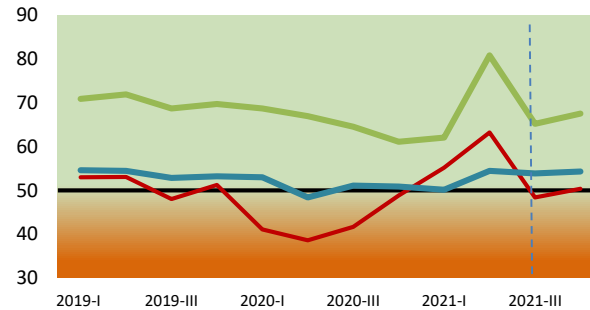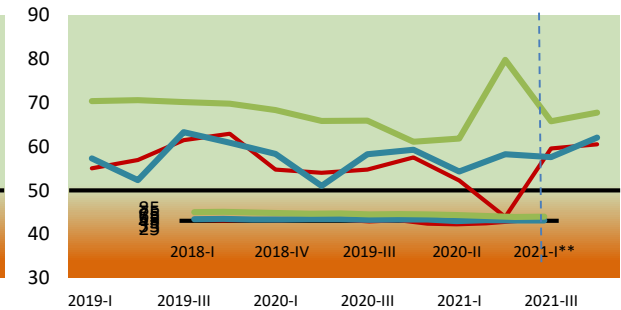

Chart 20. Agriculture, DI*

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

In Q3 of 2021, a slight deterioration in the situation with **the demand for final products** was noted in all sectors except agriculture, where the demand has grown significantly .

A slowdown in the growth rate of demand was noted in mining and manufacturing industry. The demand in construction, trade and transportation and warehousing has moved into the negative zone. In Q4 2021 demand is expected to continue to improve in all sectors.

Deterioration of the growth rate of prices for raw materials and for final goods in the 3rd quarter of 2021 was noted in all industries. In the 4th quarter of 2021, some acceleration is expected in all the industries under consideration, except construction and 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 4th quarter of 2021

Chart 21. Weighted average utilization of production capacities by industry, *%
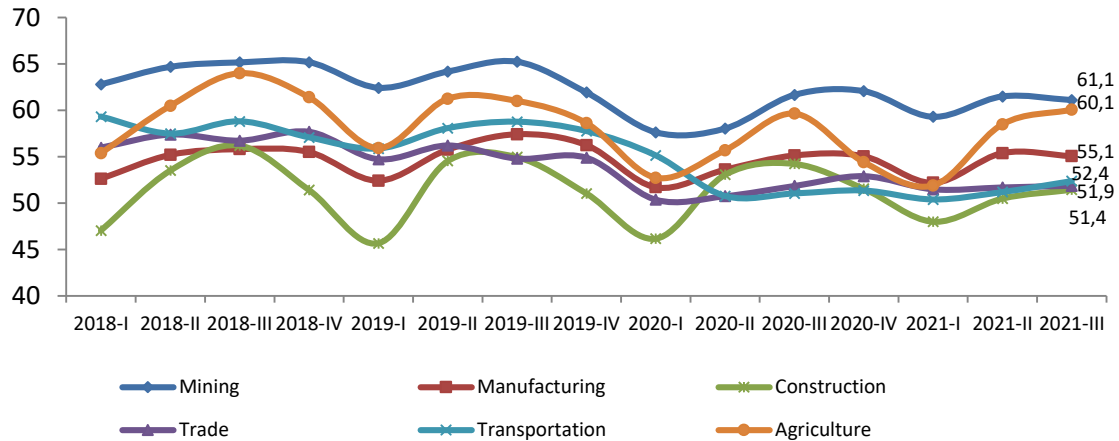

In Q3 of 2021, a decrease in the level of **capacity utilization** (CU) was noted in some industries, except agriculture, construction and transportation and warehousing.

The best situation is in the mining industry, where the share of enterprises with the maximum CU (**CU>= 90%**) is higher than in other sectors, and the share of enterprises with **CU<50%** is less than in others. The worst situation with CU is in the construction and "transport and warehousing industry".

The highest weighted average CU remains in the mining industry (**61,1%).** The construction sector turned out to be the industry with the lowest level of utilization. The volatility of the dynamics in the weighted average CU in construction and agriculture shows a strong dependence of the indicator on the seasonality.

Chart 22. The level of utilization of production capacities in the 3rd quarter of 2021, the share of enterprises in %
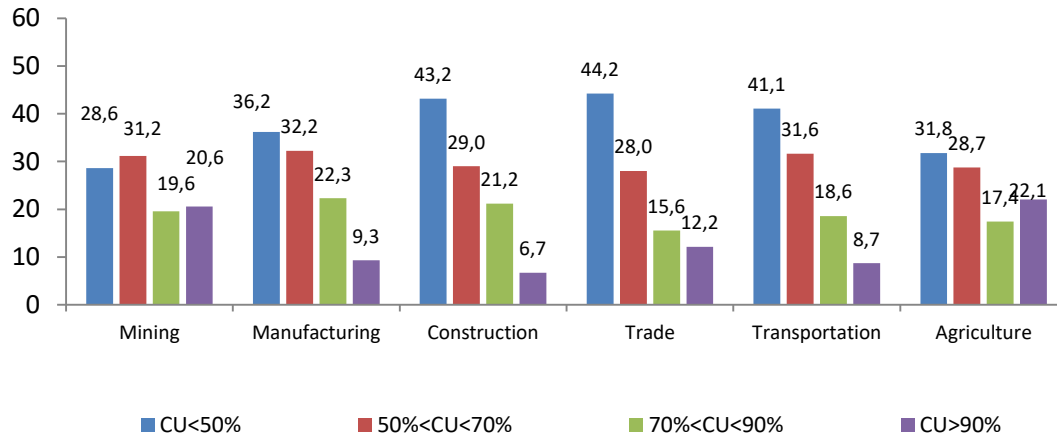
* The arithmetic weighted average is the average value of the interval, weighted by the share of answers to the question about the level of utilization of production facilities.

Table 2. Median* value of main indicators

	CLR	SR	ATR	ROS**	SFR	SWCA
Mining	1,59	1,64	0,20	45,0	0,52	51,7
Manufacturing	1,51	1,42	0,27	21,1	0,38	63,4
Construction	1,17	1,16	0,28	19,0	0,29	70,3
Trade	1,18	1,21	0,42	19,1	0,24	84,2
Transportation	1,17	1,49	0,15	27,2	0,41	31,3
Agriculture	1,40	1,51	0,09	27,5	0,46	34,6

The main **indicators of the financial and economic** activities **of enterprises** in the 3rd quarter of 2021 were as follows:
- mining companies have the highest liquidity (**CLR = 1,59**);
- mining and agriculture companies are the most solvent (**SR = 1,64** and **1,51** respectively);
- business activity in trade is significantly higher than in other industries (**ATR=0,42**);
- mining companies are the most profitable (**ROS = 45,0**%), the least profitable – construction and trade (**ROS = 19,0%** and **19,1%**);
- the chance of financing investments from their own funds in the mining industry is higher than in other industries (**SFR = 0,52**);
- most of the assets of trade enterprises are current assets (**SWCA = 84,2%**).

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. The standard is 1.2-2.0
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 23. Current liquidity ratio dynamics (CLR)

Mining: 1,59
Manufacturing: 1,51
Agriculture: 1,40
Trade: 1,18
Construction: 1,17
Transportation: 1,17
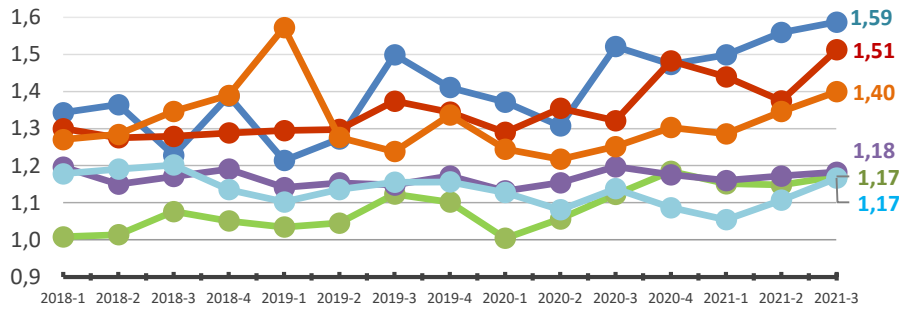
Chart 24. Self-financing ratio dynamics (SFR)

Mining: 0,52
Agriculture: 0,46
Transportation: 0,41
Manufacturing: 0,38
Construction: 0,29
Trade: 0,24
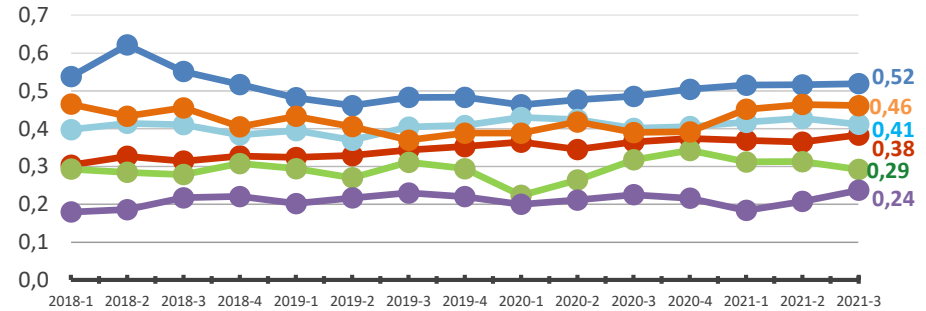
Chart 25. Asset turnover ratio dynamics (ATR)

Trade: 0,42
Construction: 0,28
Manufacturing: 0,27
Mining: 0,20
Transportation: 0,15
Agriculture: 0,09
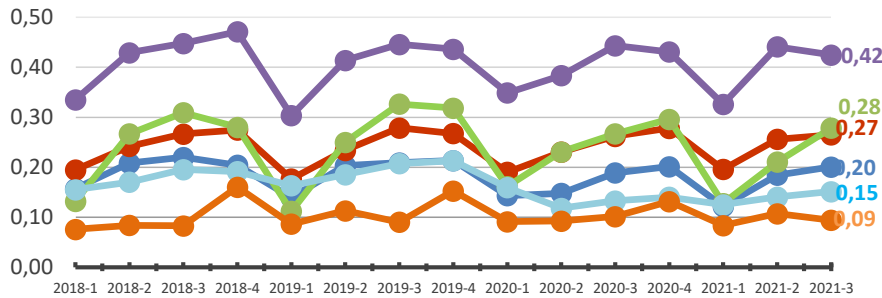
Chart 26. Overall solvency ratio dynamics (SR)

Mining: 1,64
Agriculture: 1,51
Transportation: 1,49
Manufacturing: 1,42
Trade: 1,21
Construction: 1,16
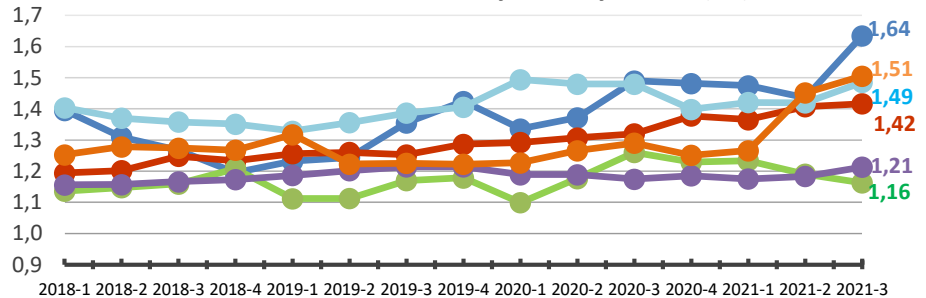
Legend: Mining — Manufacturing — Construction — Trade — Transportation — Agriculture

In Q3 2021, **the ability of enterprises to pay off their short-term liabilities improved** in all industries. There was an improvement in the business activity in construction, transportation mining and manufacturing, some decrease was noted in trade and agriculture. The biggest improvement was in construction (**ATR** increased from **0,21** to **0,28**). The ability to cover liabilities of enterprises increased in all sectors, the greatest increase was noted in the mining industry (**SR = 1.64**), with the exception of construction enterprises, where the indicator slightly deteriorated (**SR = 1,16**)

The ability to finance investments from their own funds has increased for trade and manufacturing industry enterprises (**SFR = 0,24** and **0,38**), and decreased transportation and construction (**SR = 0,41 and 0,29**) , and in other industries remained at the same level.

* 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 27. Return on sales *,%

Mining
45,0 / 40,0

Agriculture
27,5 / 22,1

Manufacturing
21,1 / 21,4

Transportation
27,2 / 26,8

Construction
19,0 / 20,8

Trade
19,1 / 19,9

2021-2 · 2021-3
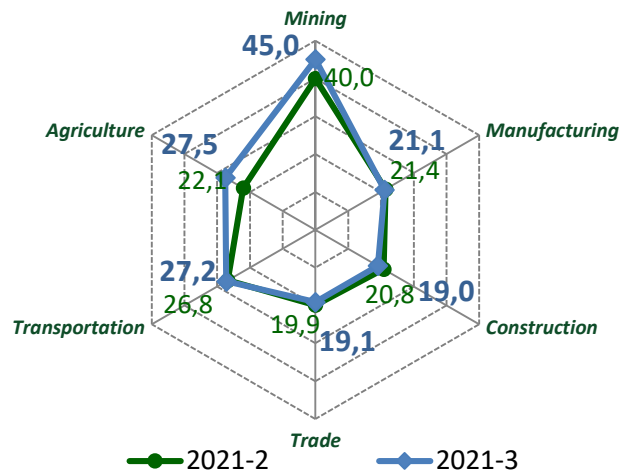
Chart 28. Dynamics of sales profitability *,%

45,0
27,5
21,1
19,1

Mining · Manufacturing · Construction
Trade · Transportation · Agriculture
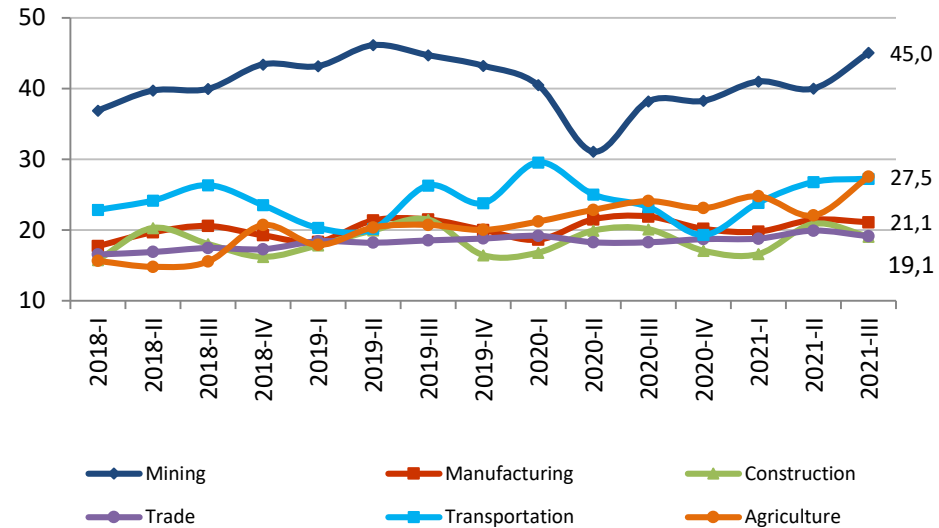
Chart 29. The share of enterprises planning to end the financial year with profit / loss,%

	Mining	Manufacturing	Construction	Trade	Transportation	Agriculture
With profit	34,2	45,5	31,9	42,9	32,8	33,8
With loss	13,6	11,0	14,8	8,1	15,4	10,3

■ With profit ■ With loss

The return on sales (before tax and deduction of interest and depreciation expenses) in Q3 of 2021 has increased in mining and agriculture, in all other industries was noted a deterioration.

The highest share of enterprises planning to close the financial year with losses was in the transport and warehousing and construction (15,4% and 14,8% respectively).

Manufacturing and trade companies are much more optimistic in their estimates: the share of enterprises planning to close the year with a profit is 45,5%, 42,9%, respectively.

In all industries under consideration, the share of enterprises planning to close the year with a profit is greater than the share of those planning to close 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, for mutual calculations with suppliers, contractors, customers, buyers, etc. has changed. According to the results of Q3 2021, the share of enterprises with overdue (more than 90 days) **accounts receivable** decreased (from **23,9%** to **22,6%**) and **accounts payable** increased (from **20,5%** to **20,7%**) on average in the economy.

In all sectors except construction the share of enterprises with overdue accounts receivable has **decreased**. The share of enterprises with overdue accounts payable **increased** in trade and construction. The largest number of enterprises with both overdue accounts receivable and overdue accounts payable was noted in the mining industry (**27,6%** and **30,7%,** respectively).

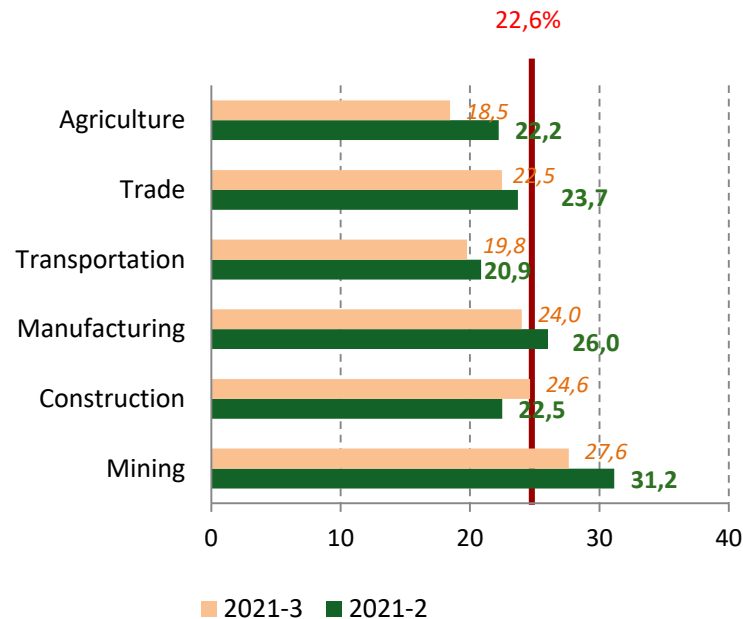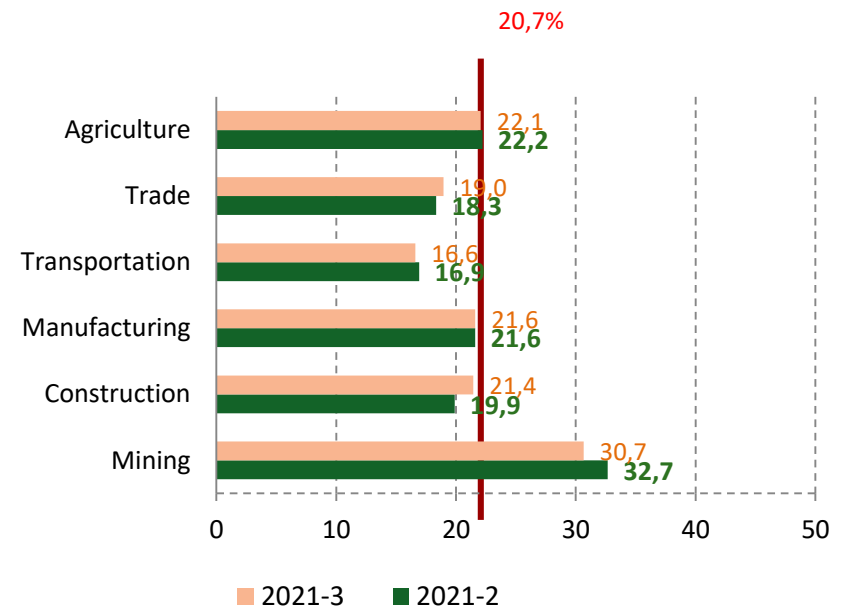**Chart 30. Overdue accounts receivable debt (%)**

	2021-3	2021-2
Agriculture	18,5	22,2
Trade	22,5	23,7
Transportation	19,8	20,9
Manufacturing	24,0	26,0
Construction	24,6	22,5
Mining	27,6	31,2

22,6%

Chart 31. Overdue payables debt (%)

	2021-3	2021-2
Agriculture	22,1	22,2
Trade	19,0	18,3
Transportation	16,6	16,9
Manufacturing	21,6	21,6
Construction	21,4	19,9
Mining	30,7	32,7

20,7%

Chart 32. Production volume dynamics, DI *

Legend: Mining, Manufacturing, Construction, Trade, Transportation, Agriculture
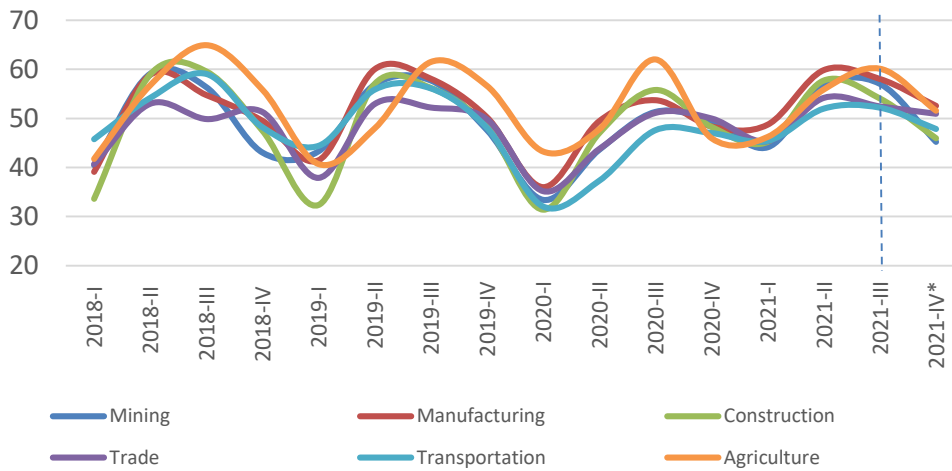
Chart 33. Number of employed dynamics, DI

Legend: Mining, Manufacturing, Construction, Trade, Transport, Сельское хозяйство
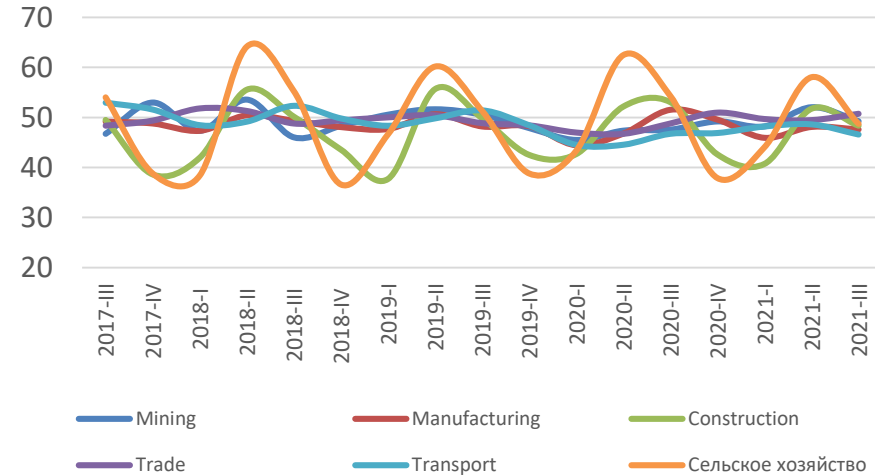
Chart 34. Dynamics of the share of enterprises that reduced average wages,%

Legend: Mining, Manufacturing, Construction, Trade, Transportation, Agriculture
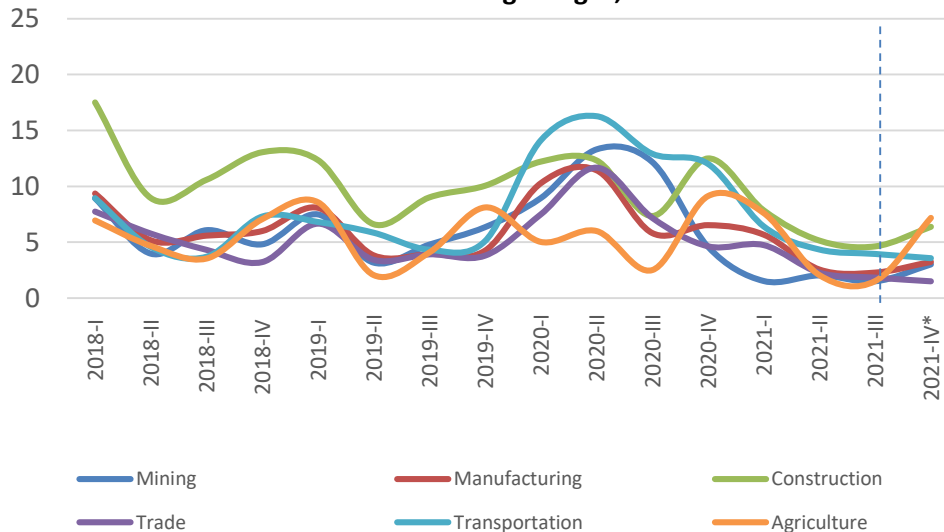
In Q3 of 2021, in all the industries under consideration a **decrease in production volumes** was noted except agriculture, but DI was still in the area of growth. In Q4 of 2021 a slowdown and even decrease in some industries is expected.

The number of employees decreased in all sectors except trade, the biggest decrease was noted in agriculture and construction, which is explained by the seasonal nature of their work.

In Q3 of 2021, the number of enterprises that reduced the average wages decreased in all considered industries. In Q4 of 2021, the wage situation will significantly worsen in agriculture and construction industries.

* 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 4th quarter of 2021

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- The highest **degree of competition remains** in trade.

- Most enterprises point out **the state of the economy of Kazakhstan** as the main obstacle to doing business.

- In Q3 of 2021, the negative impact of the exchange rate of tenge **against the Russian ruble decreased** for economy, increased for mining and construction, at the same time it decreased for other industries, particularly for trade and agriculture. The negative impact of exchange rate of the tenge **against the US dollar decreased** for all industries. The main currency used in settlements with foreign partners is the Russian ruble (in manufacturing - 65.4%, in trade - 59.5%).

- In Q3 of 2021, in all considered industries, except agriculture the growth rate of production slowed down and a decrease in the level of capacity utilization was noted in all sectors apart of agriculture, construction and transportation. The highest capacity utilization remains in the mining industry (61,1%).

- In the Q3 of 2021, there was a deterioration in the situation with **the demand for final products** in all sectors except agriculture, where the demand increased.

- The **ROS** in the mining industry is significantly higher than in other industries. An increase was noted in the mining and agriculture.

- The largest number of enterprises with both overdue accounts receivable and overdue accounts payable was noted in the mining industry (27.6% and 30.7%, respectively).

- In Q4 of 2021, some acceleration in the growth rates of prices for raw materials and finished products is expected in all the industries.