SECTORAL MARKET REVIEW

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

Q4 2021

Monetary Policy Department
National Bank of Kazakhstan

General

I. Assessment of economic conditions:

II. Assessment of real performance indicators of enterprises

Conclusions
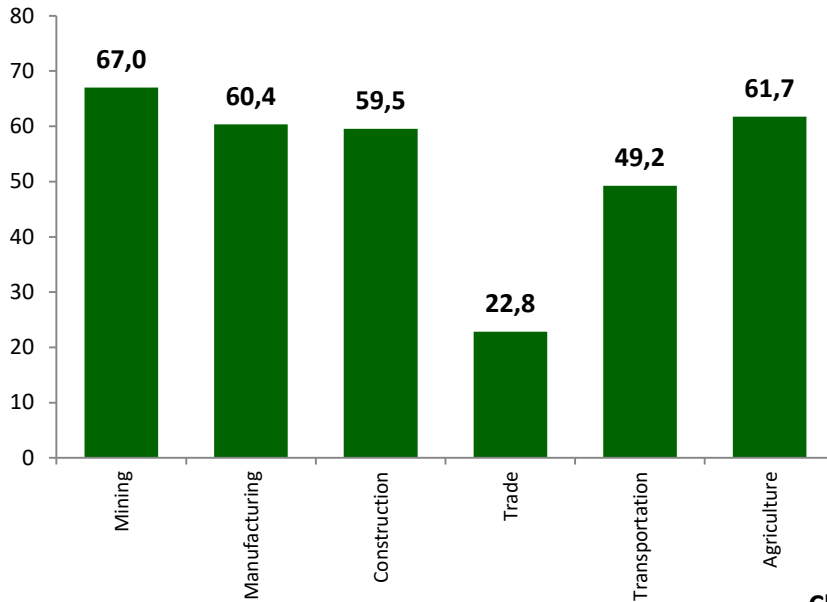
Survey details	
The purpose of the survey	➢ Identification of the main trends in the business environment in industries
Respondents	➢ Heads of enterprises, employees of financial departments
Survey method	➢ Questionnaire
Period of the survey	➢ 4Q 2021
Total monitoring participants	➢ 3334
Sample details	
Mining enterprises	➢ 203
Manufacturing enterprises	➢ 709
Construction enterprises	➢ 346
Trade enterprises	➢ 937
Transport and warehouse enterprises	➢ 254
Agricultural enterprises	➢ 196
Total respondents for the sample	➢ 2 645

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

The sample for the **mining industry** is represented mainly by large and medium-sized enterprises (**67,0**%), 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 **60,4**% of the total number of surveyed enterprises in the industry. The largest volume in the industry are produced by enterprises of the metallurgical industry.

Large and medium-sized enterprises prevail also in **agriculture and construction** (**61,7**% and **59,5**%, respectively).

In transport and warehousing almost half of the sample is represented by large and medium-sized enterprises (49,2%), 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 (**22,8**%).

The **representativeness*** of the sample for these industries is 43,5%.

In Q4 2021, the importance of competition has decreased in agriculture, but remains high in many industries, excluding mining.

Trade remains the most affected industry by market competition, with **41,5**% of enterprises feeling the impact of market competition on their business. The share of enterprises in **manufacturing** reached **32,2%,** in **transport and warehousing** – **26,0**%, in **construction** - **25,7**%. The smallest share is in **agriculture** and **mining** industry, **16,8**% and **14,8**%, respectively.

Chart 2. The share of enterprises whose further development opportunities are limited by market competition from other enterprises (%)
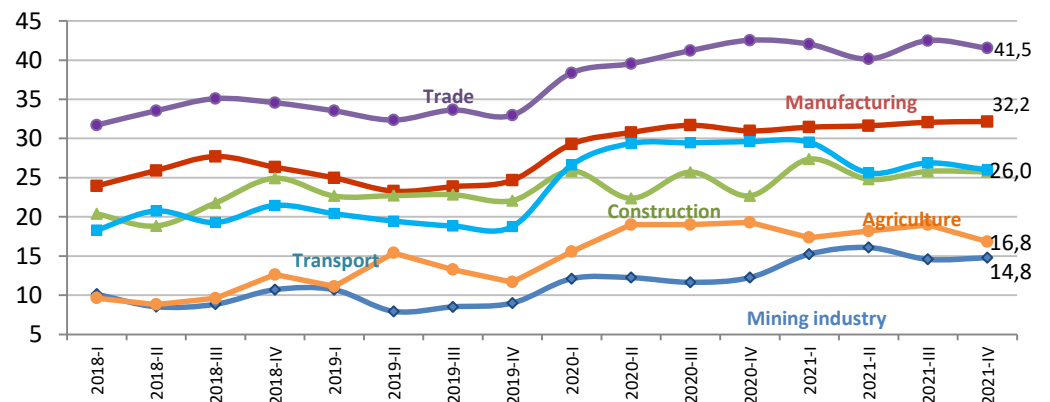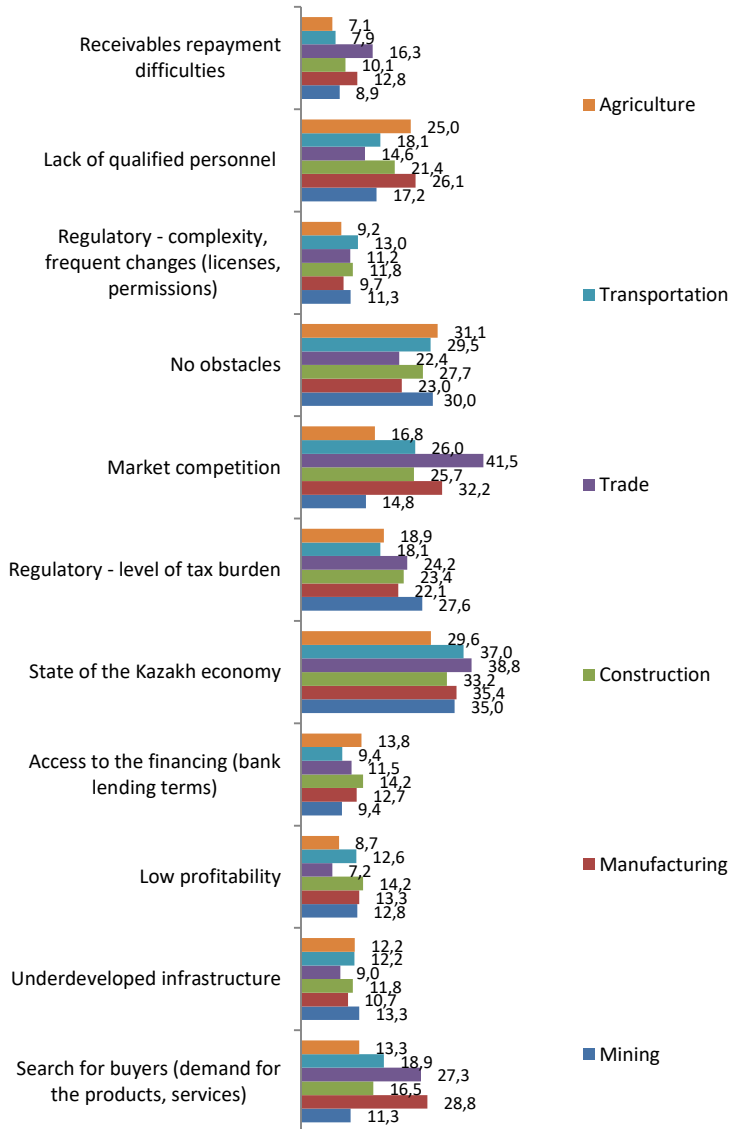

- *Representativeness in the monitoring of enterprises is assessed by the formula: SI ME / SI SC * 100, where SI ME is the income from product sales (SI) of enterprises participating in the NBRK monitoring; SI SC – sales income according to Statistics Committee.*
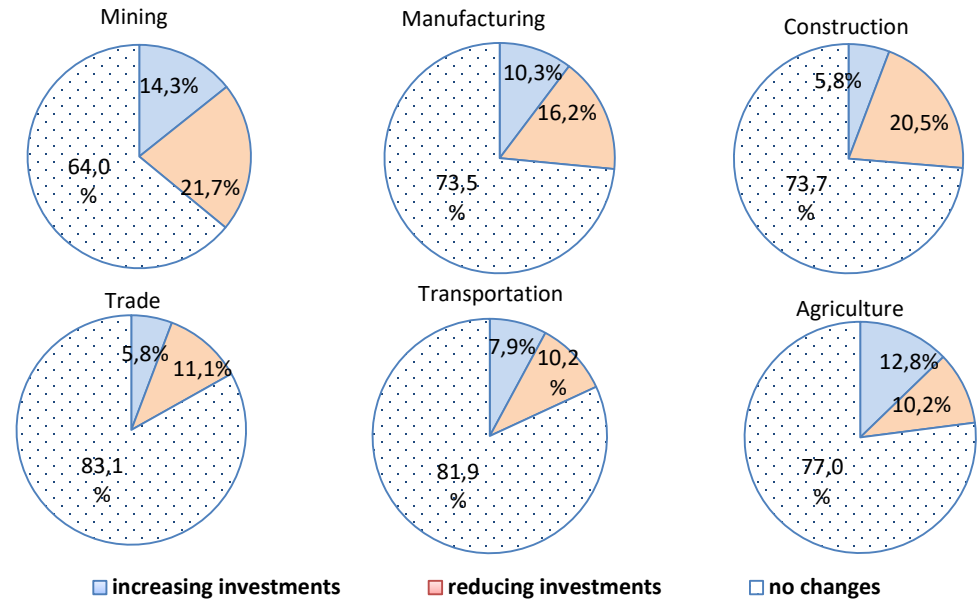- The representativeness* of the sample is given for 3rd quarter of 2021.

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Chart 3. Restrictions on investment activity of enterprises

Receivables repayment difficulties
- 7,1
- 7,9
- 16,3
- 10,1
- 12,8
- 8,9

Lack of qualified personnel
- 25,0
- 18,1
- 14,6
- 21,4
- 26,1
- 17,2

Regulatory - complexity, frequent changes (licenses, permissions)
- 9,2
- 13,0
- 11,2
- 11,8
- 9,7
- 11,3

No obstacles
- 31,1
- 29,5
- 22,4
- 27,7
- 23,0
- 30,0

Market competition
- 16,8
- 26,0
- 41,5
- 25,7
- 32,2
- 14,8

Regulatory - level of tax burden
- 18,9
- 18,1
- 24,2
- 23,4
- 22,1
- 27,6

State of the Kazakh economy
- 29,6
- 37,0
- 38,8
- 33,2
- 35,4
- 35,0

Access to the financing (bank lending terms)
- 13,8
- 9,4
- 11,5
- 14,2
- 12,7
- 9,4

Low profitability
- 8,7
- 12,6
- 7,2
- 14,2
- 13,3
- 12,8

Underdeveloped infrastructure
- 12,2
- 12,2
- 9,0
- 11,8
- 10,7
- 13,3

Search for buyers (demand for the products, services)
- 13,3
- 18,9
- 27,3
- 16,5
- 28,8
- 11,3

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

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

Mining
- 14,3%
- 21,7%
- 64,0%

Manufacturing
- 10,3%
- 16,2%
- 73,5%

Construction
- 5,8%
- 20,5%
- 73,7%

Trade
- 5,8%
- 11,1%
- 83,1%

Transportation
- 7,9%
- 10,2%
- 81,9%

Agriculture
- 12,8%
- 10,2%
- 77,0%

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

In Q4 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, **26,1%** enterprises of manufacturing and **25,0% 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 trade. The largest reduction in investment is expected in mining industry and construction, the smallest - in agriculture and transportation. 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,%)
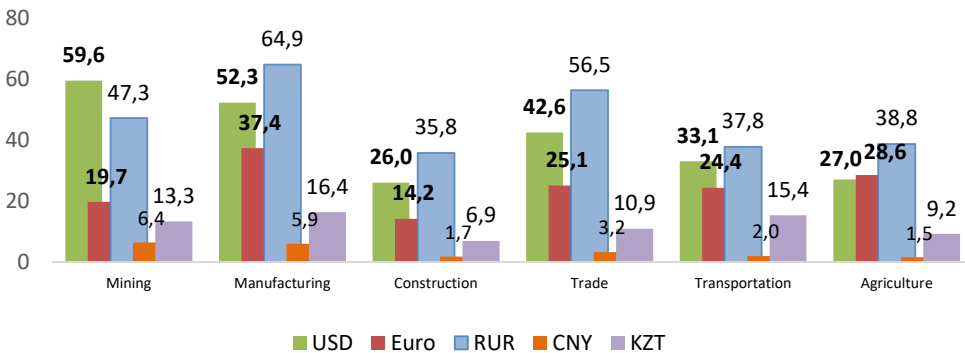
The main currency used in calculations with foreign partners for all the industries under consideration, except for the mining industry, is Russian ruble (in the manufacturing industry the share of enterprises using Russian ruble is **64,9**%, in trade – **56,5**%). The US dollar dominates only in the mining industry (**59,6%**). Tenge in the calculations was the most used by manufacturing **(16,4%)** and transportation enterprises **(15,4%)** and in**.**

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)
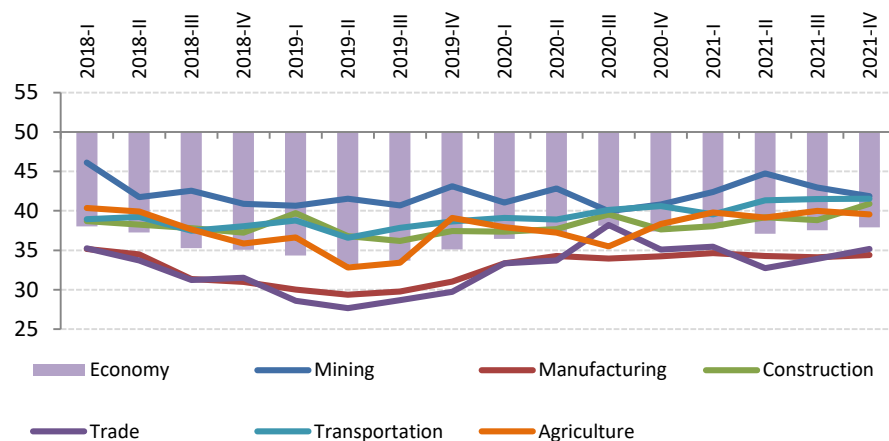
Chart 7. Impact of changes in the exchange rate of the tenge against the Russian ruble on the activities of the enterprise (DI by industry for the quarter)
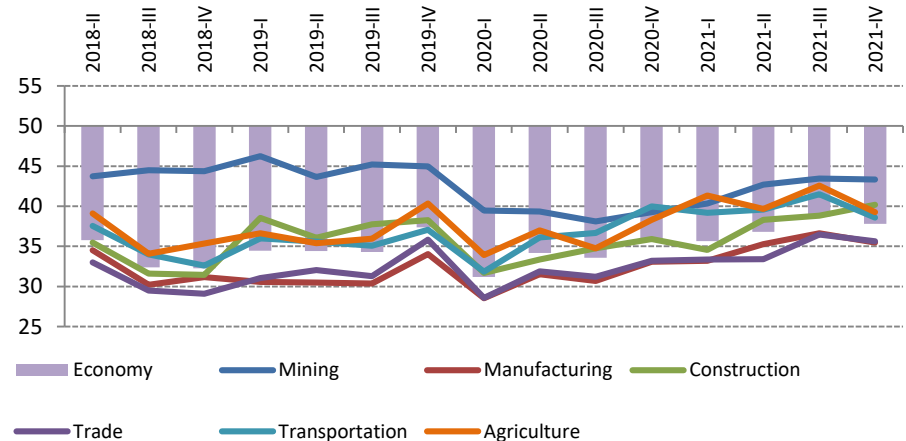
In Q4 of 2021, the negative impact of the exchange rate of tenge **against the Russian ruble decreased** for economy, increased for mining and agriculture and decreased for trade andconstruction. The negative impact of exchange rate of the tenge **against the US dollar increased** for all industries except construction and mining. As a result DI in the economy is to 37,8.

* 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,%
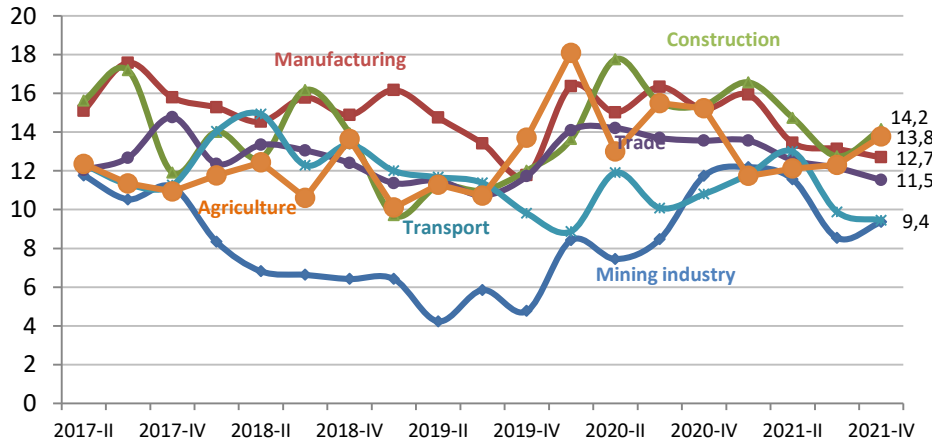
Table 1. Average lending rates,%

	In tenge		In foreign currency	
	in fact	preferred	in fact	preferred
Mining	12,1	3,5	4,2	1,4
Manufacturing	10,8	5,2	5,2	2,4
Construction	12,8	5,1	5,7	2,0
Trade	11,5	6,8	6,1	3,2
Transportation	13,3	4,1	4,2	1,9
Agriculture	12,0	4,1	4,0	1,5

Chart 9. Companies intending to apply for a loan in Q3 and in Q4 2021,%
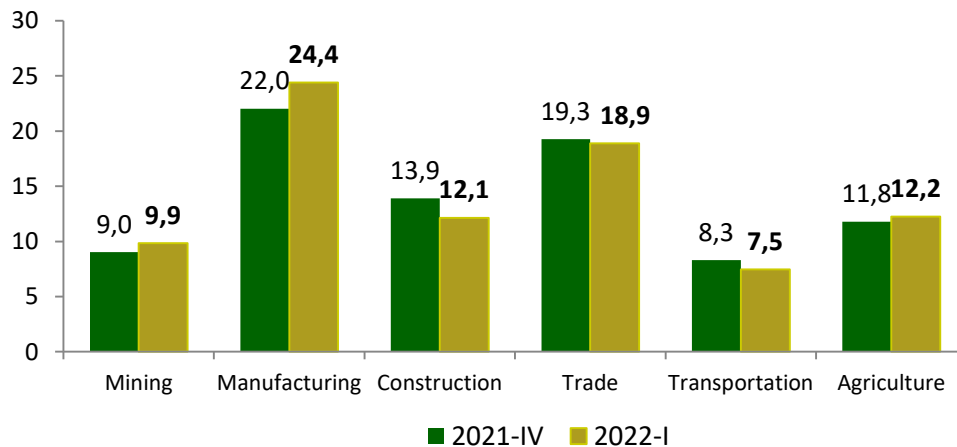
In Q4 of 2021, agriculture, construction and mining sector enterprises note worsening of the access to bank loans, while all other industry enterprises report an improvement. The largest number of enterprises which claim that credit conditions are unacceptable belongs to construction and agriculture (**14,2**% and 13,8%). The smallest number corresponds to transport and mining (9,4% both).

The highest interest rates on loans received in tenge (13,3%) and in foreign (6,1%) currency were observed in transport and construction respectively.

The largest share of enterprises intending to apply for a loan in Q1 of 2022 is in the manufacturing and trade (**24,4% and 18,9%**, respectively), the smallest - in the "transportation and warehousing" industry (7,5%).

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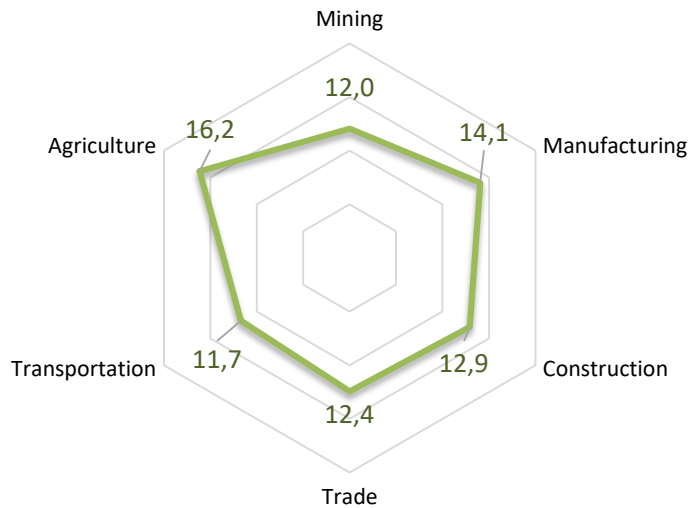**Chart 10. Weighted average* credit load **,%**

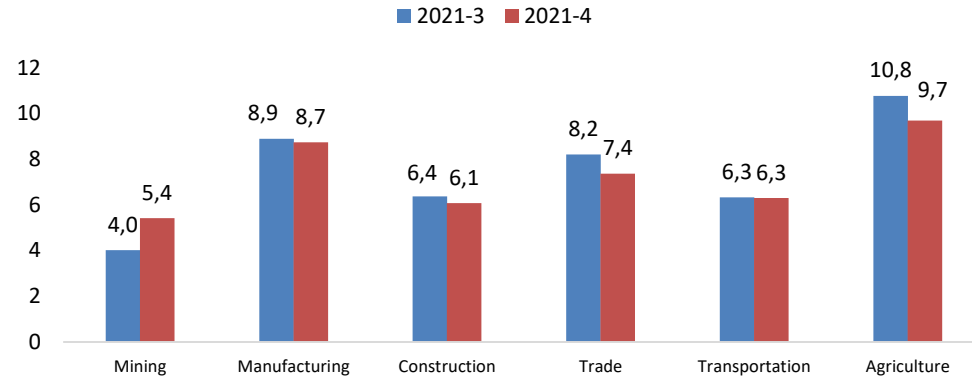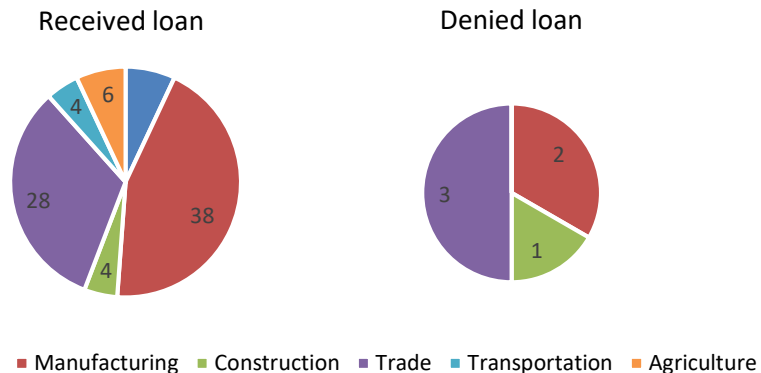**Chart 11. The share of enterprises with overdue *** debt on bank loans,%**

Chart 12. Results for consideration of loan applications, number

Received loan

Denied loan

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

In Q4 2021, the weighted average credit burden in agriculture was higher than in other sectors. In agriculture, in average **16,2**% of income from sales of products is spent for debt repayment. The lowest value of this indicator was in transport and wharehousing (**11,7**%).

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 (**9,7**%), the smallest - in the mining industry (5,4%).

In Q4 of 2021, **6 enterprises** from the sample were denied loans, which belong to trade, manufacturing and construction. There was no such kind of companies in other industries.

* Arithmetic weighted average is the average value of the interval, weighted by the share of enterprises
** Monthly payment / Income from product sales * 100
*** more than 90 days

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Assessment of real performance indicators of enterprises:
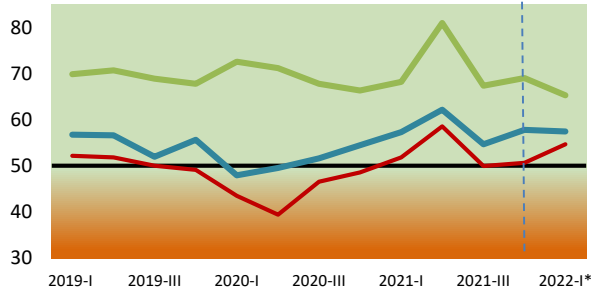
Chart 13. Mining industry, DI*
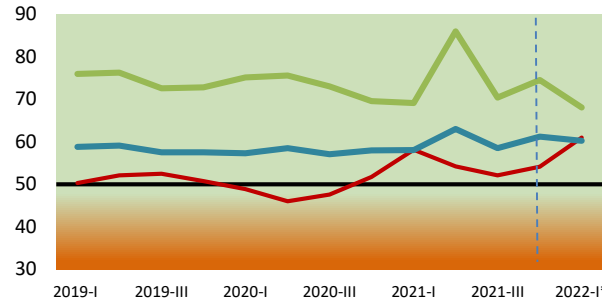
Chart 14. Manufacturing, DI*
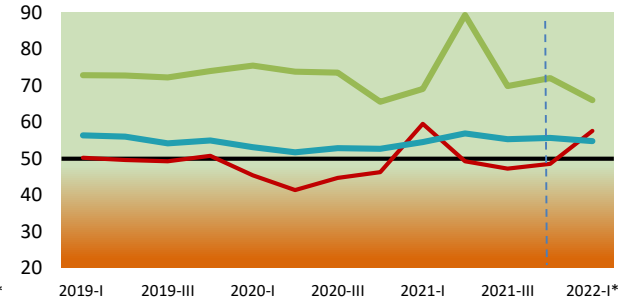
Chart 15. Construction, DI*

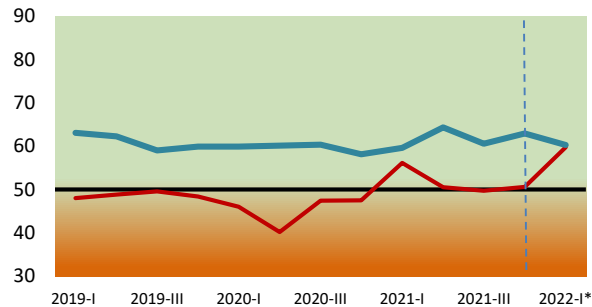### Chart 16. Trade, DI*

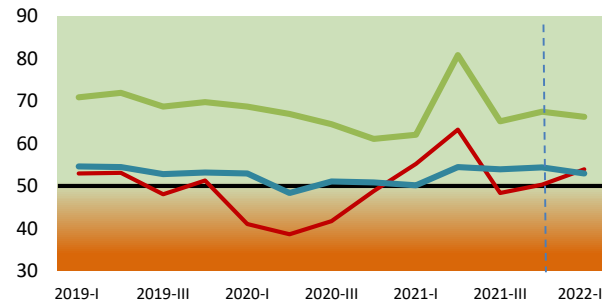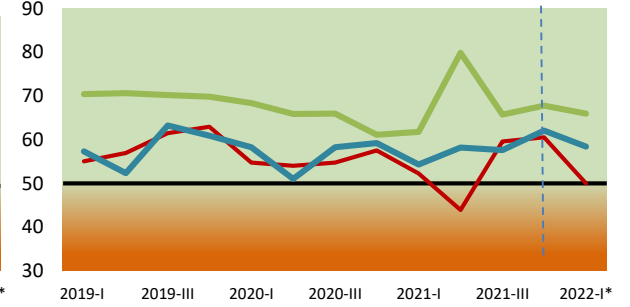### Chart 17. Transportation and warehousing, DI*

Chart 18. Agriculture, DI*

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

In Q4 of 2021, a slight improvement in the situation with **the demand for final products** was noted in all sectors except construction. The demand in transportation and warehousing has moved into the positive zone, the indicator in construction is still below 50. In Q1 of 2022 demand is expected to continue improving in all sectors except agriculture.

Acceleration of the growth rate of prices for raw materials and for final products in Q4 of 2021 was noted in all industries. In Q1 of 2022, some slowdown is expected in all the industries under consideration.

* DI, diffusion index, the higher (lower) the level of 50, the more positive (negative) the influence of the indicator, level 50 means no influence
** The graphs reflect the expectations of enterprises for the change in the parameter in the Q1 of 2022

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

Chart 20. The level of utilization of production capacities in the 3rd quarter of 2021, the share of enterprises in %
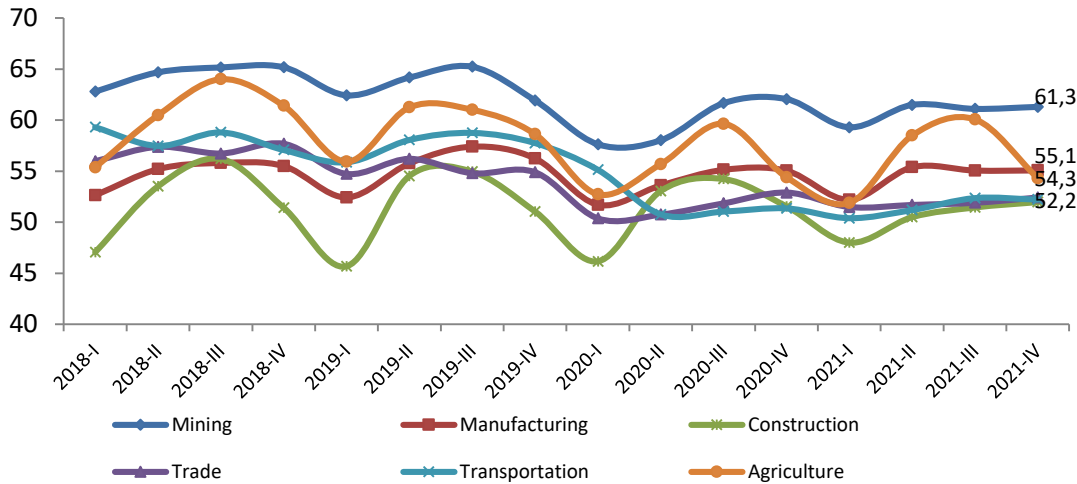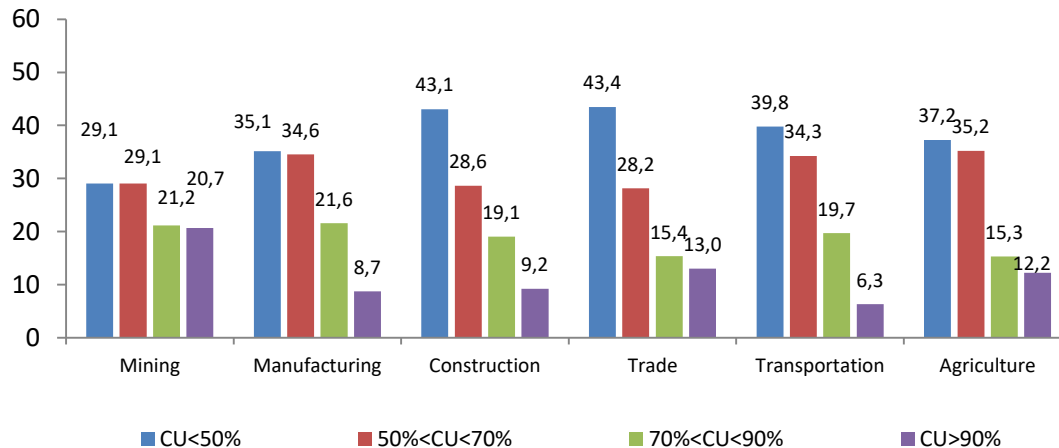

In Q4 of 2021, a decrease in the level of **capacity utilization** (CU) was noted in agriculture and slightly increased in construction and trade.

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 (**61,3%).** The construction and transportation sector turned 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.

* 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.

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Table 2. Median* value of main indicators

	CLR	SR	ATR	ROS**	SFR	SWCA
Mining	1,56	1,61	0,22	50,0	0,56	50,9
Manufacturing	1,43	1,41	0,28	21,4	0,36	62,2
Construction	1,18	1,16	0,30	22,8	0,33	69,4
Trade	1,17	1,23	0,46	20,3	0,24	83,5
Transportation	1,12	1,51	0,15	25,6	0,43	32,1
Agriculture	1,31	1,45	0,12	20,8	0,49	38,8

The main **indicators of the financial and economic** activities **of enterprises** in the Q4 of 2021 were as follows:
- mining companies have the highest liquidity (**CLR = 1,56**);
- mining and transportation and wharehousing companies are the most solvent (**SR = 1,61** and **1,51** respectively);
- business activity in trade is significantly higher than in other industries (**ATR=0,46**);
- mining companies are the most profitable (**ROS = 50,0**%), the least profitable – construction and trade (**ROS = 20,8%** and **20,3%**);
- the opportunity of financing investments from their own funds in the mining industry is higher than in other industries (**SFR = 0,56**);
- most of the assets of trade enterprises are current assets (**SWCA = 83,5%**).

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

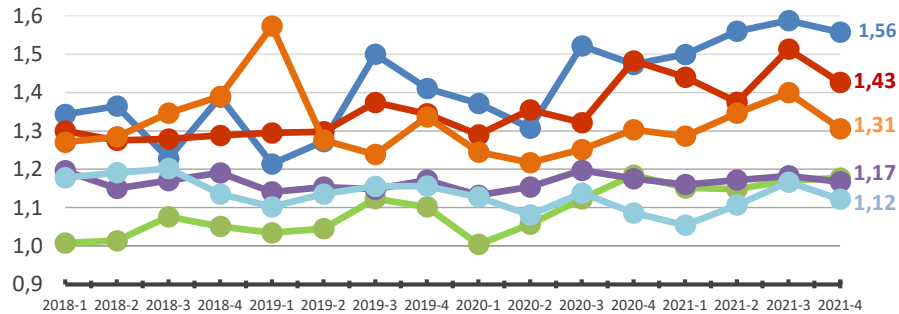**Chart 21. Current liquidity ratio dynamics (CLR)**
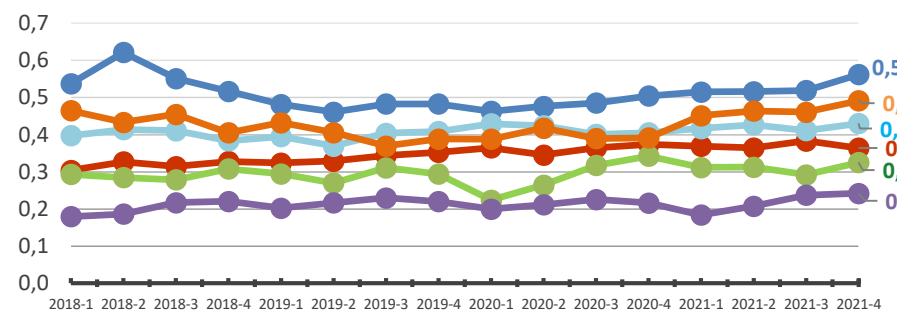
Chart 23. Self-financing ratio dynamics (SFR)
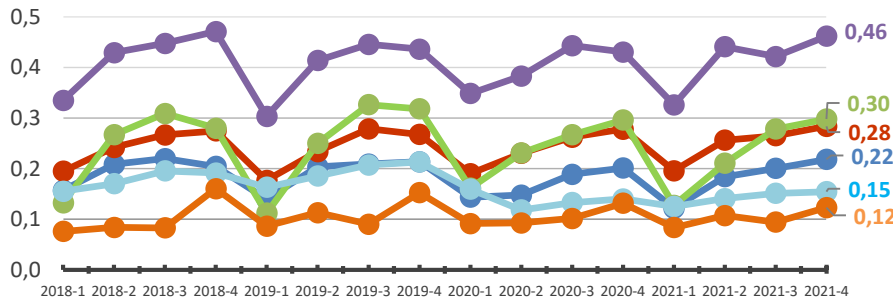
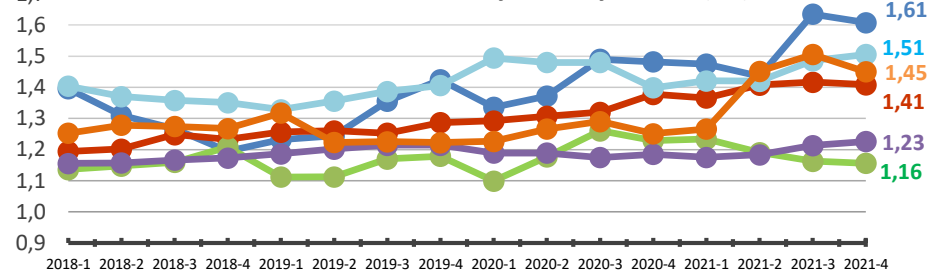**Chart 22. Asset turnover ratio dynamics (ATR)**

Chart 24. Overall solvency ratio dynamics (SR)

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

In Q4 2021, **the ability of enterprises to pay off their short-term liabilities deteriorated** in all industries. There was an improvement in the business activity in all sectors. The biggest improvement was in trade (**ATR** increased from **0,42** to **0,46**). The ability to cover liabilities of enterprises increased in the sectors of transport and warehousing and trade, while decreased in others. The largest decrease was noted in agriculture (SR=1.45).

The ability to finance investments from their own funds has decreased for manufacturing industry enterprises (**SFR = 0,36**), and increased in all other industries.

* 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)
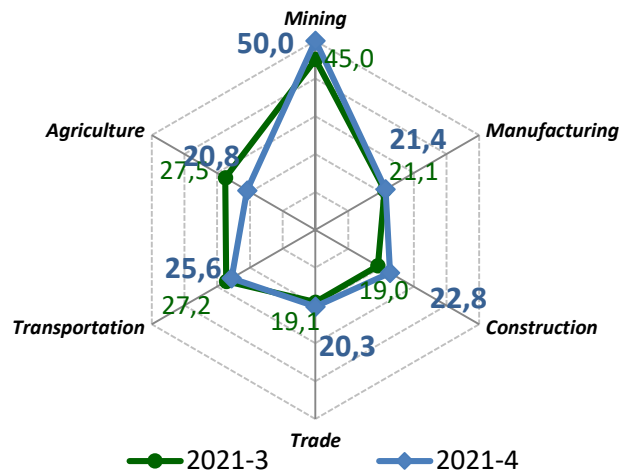
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Chart 25. Return on sales *,%

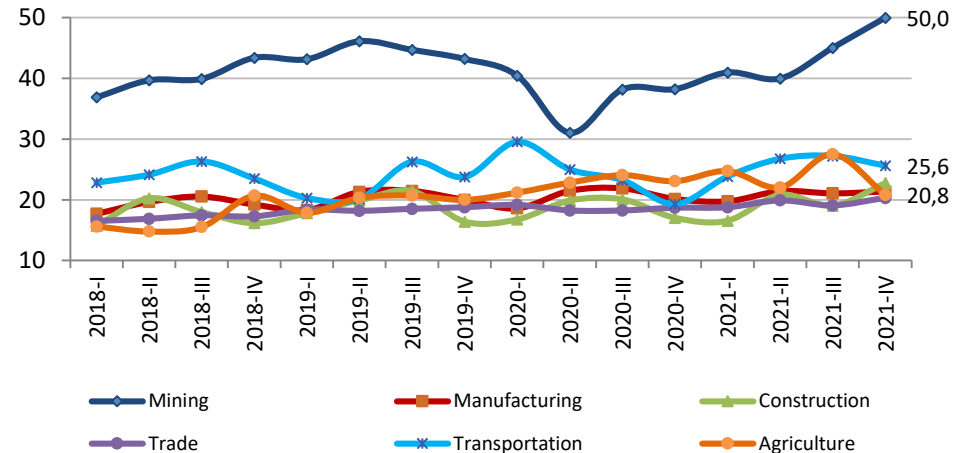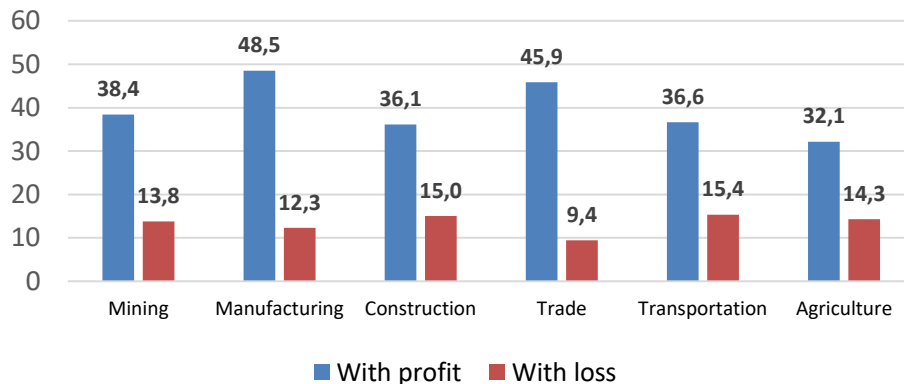**Chart 26. Dynamics of sales profitability *,%**

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

The return on sales (before tax and deduction of interest and depreciation expenses) in Q4 of 2021 has increased in mining, trade, construction and manufacturing, in agriculture and transportation industries was noted a deterioration. The return on sales in the mining industry is significantly higher than in other industries.

The highest share of enterprises planning to close the financial year with losses was in the transport and warehousing and construction (15,4% and 15,0% 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 48,5% and 45,9%, 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.

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* 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, with suppliers, contractors, customers, buyers, etc. has changed. According to the results of Q4 2021, the share of enterprises with overdue (more than 90 days) **accounts receivable** decreased (from **22,6%** to **21,4%**) and **accounts payable d**ecreased (from **20,7%** to **20,1%**) on average in the economy.

In all sectors the share of enterprises with overdue accounts receivable has **decreased**. The share of enterprises with overdue accounts payable **increased** in construction. The largest number of enterprises with both overdue accounts receivable and overdue accounts payable was noted in the mining industry (**23,2%** and 27,6**%,** respectively).

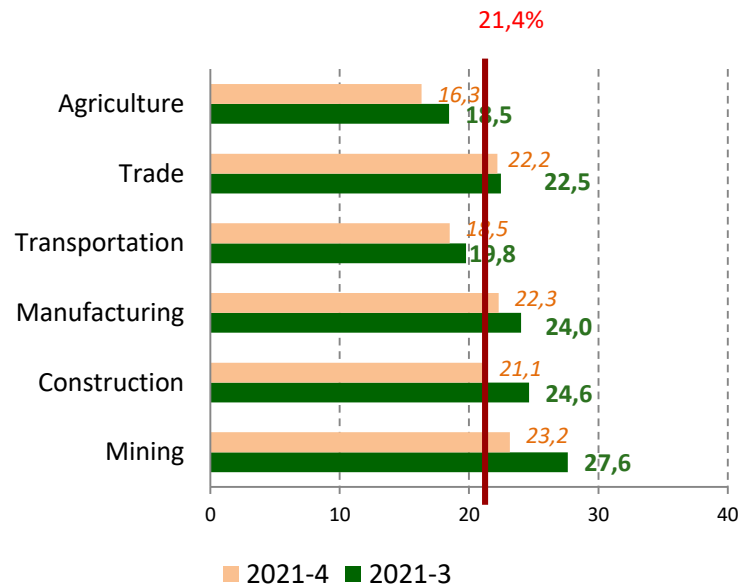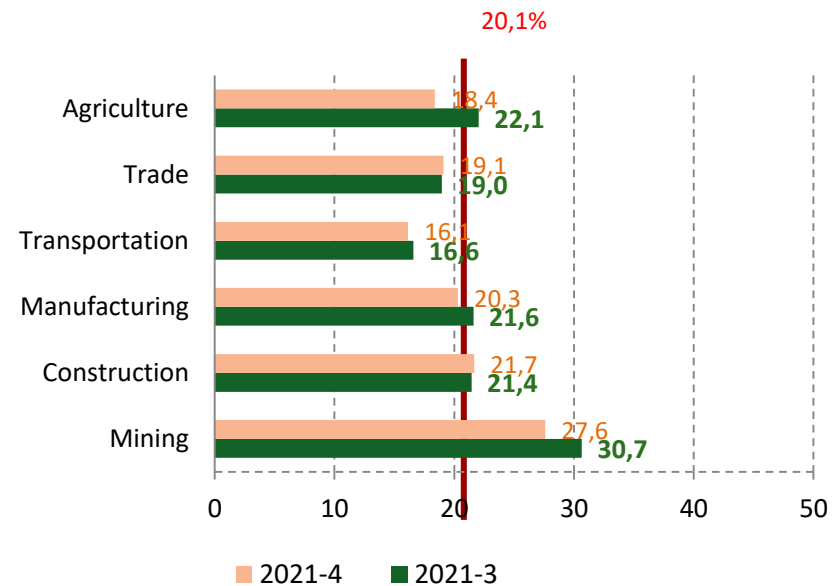**Chart 28. Overdue accounts receivable debt (%)**

Industry	2021-4	2021-3
Agriculture	16,3	18,5
Trade	22,2	22,5
Transportation	18,5	19,8
Manufacturing	22,3	24,0
Construction	21,1	24,6
Mining	23,2	27,6

21,4%

Chart 29. Overdue payables debt (%)

Industry	2021-4	2021-3
Agriculture	18,4	22,1
Trade	19,1	19,0
Transportation	16,1	16,6
Manufacturing	20,3	21,6
Construction	21,7	21,4
Mining	27,6	30,7

20,1%

■ 2021-4 ■ 2021-3

Chart 30. Production volume dynamics, DI *

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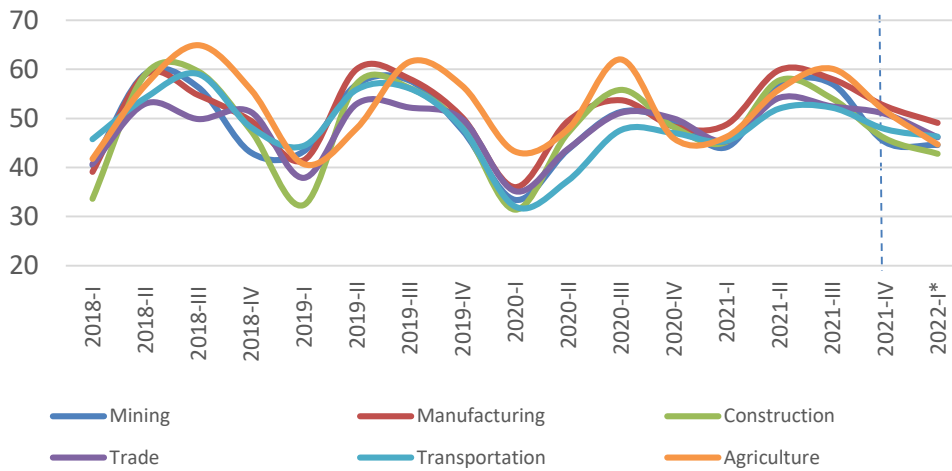
Chart 31. Number of employed dynamics, DI

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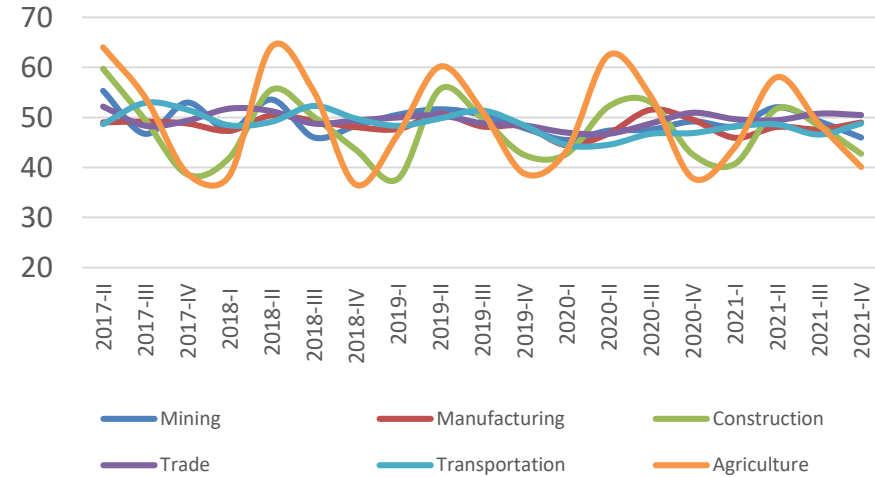
Chart 32. Dynamics of the share of enterprises that reduced average wages,%

Legend: Mining, Manufacturing, Construction, Trade, Transportation, Agriculture
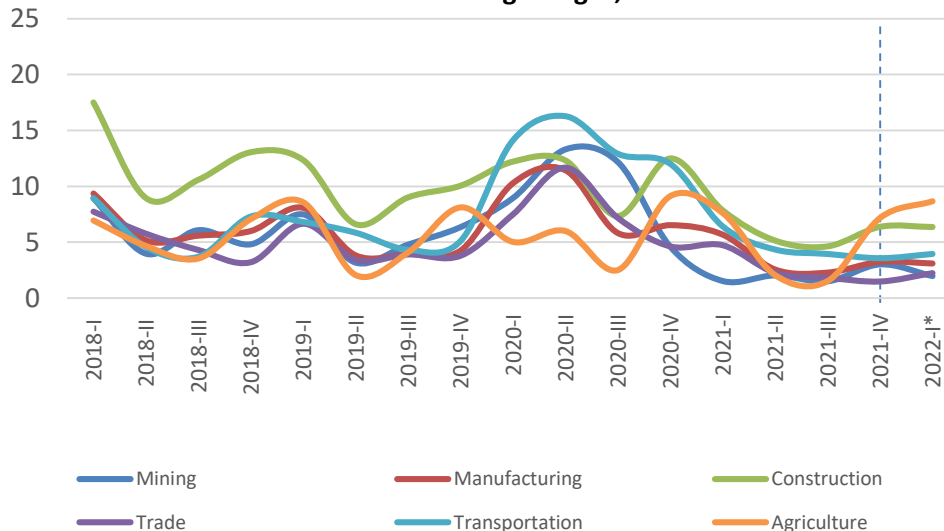
In Q4 of 2021, in all the industries under consideration a **decrease in production volumes** was noted. In Q1 of 2022 a futher slowdown in the growth rate of production volumes is expected.

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

In Q4 of 2021, the number of enterprises that reduced the average wages increased in all considered industries except trade and transportation. In Q1 of 2022, the situation will significantly worsen in all industries except mining.

* 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 1st quarter of 2022

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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 Q4 of 2021, the negative impact of the exchange rate of tenge **against the Russian ruble decreased** for economy, increased for mining and agriculture and decreased in all others, particularly for the trade and construction.

- The negative impact of exchange rate of the tenge **against the US dollar increased** for all industries except construction and mining. The main currency used in settlements with foreign partners is the Russian ruble (in manufacturing - 64.9%, in trade - 56.5%).

- In Q4 of 2021, in all considered industries the growth rate of production slowed down. The level of capacity utilization in the economy as a whole remained unchanged, decreasing in agriculture, and slightly increasing in construction and trade.

- The highest capacity utilization remains in the mining industry (61,3%).

- In the Q4 of 2021, there was improvement in the situation with the demand for final products in all sectors except construction. The indicator of demand in the transport and warehousing industry has moved into the positive zone, the indicator in construction is still below 50, although its value has improved.

- The **Return on sales** in the mining industry is significantly higher than in other industries. An increase was noted in the mining, trade and construction, a decrease was noted in agriculture and transportation and warehousing .

- The share of enterprises with overdue (more than 90 days) **accounts receivable** decreased (from **22,6%** to **21,4%**) and **accounts payable** decreased (from **20,7%** to **20,1%**).

- The largest number of enterprises with both overdue accounts receivable and overdue accounts payable was noted in the mining industry (23,2% and 27,6%, respectively).

- In Q1 of 2022, some slowdown in the growth rates of prices for raw materials and finished products is expected in all the industries.