

SECTORAL MARKET REVIEW

Enterprises Survey Results in the Real Sector of the Economy

**(Sectors: Mining, Manufacturing, Construction, Trade, Transportation and Warehousing,
Agriculture)**

Q3 2022



**Monetary Policy Department
National Bank of Kazakhstan**

General

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- competitive environment (p. 4)
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II. Assessment of real performance indicators of enterprises

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- debt burden in industries (p. 14)
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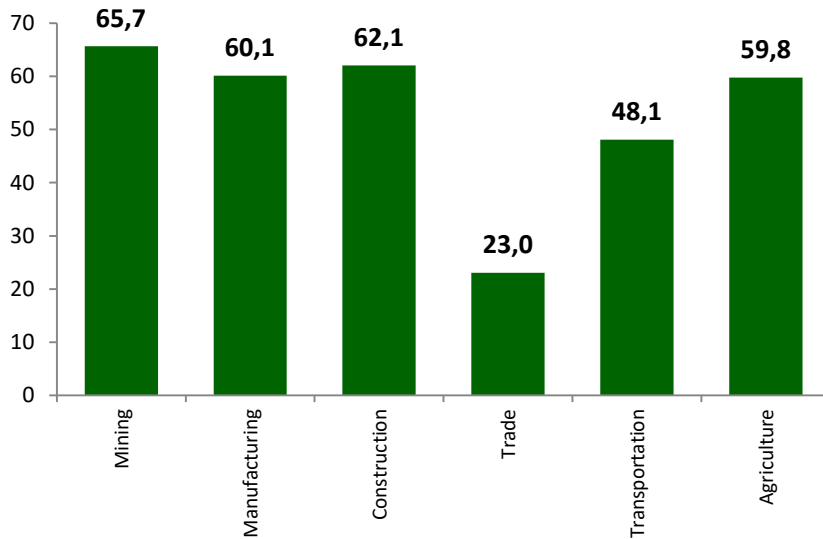
Survey details

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 2022
Total monitoring participants	➤ 3336

Sample details

Mining enterprises	➤ 207
Manufacturing enterprises	➤ 727
Construction enterprises	➤ 327
Trade enterprises	➤ 938
Transport and warehouse enterprises	➤ 260
Agricultural enterprises	➤ 199
Total respondents for the sample	➤ 2 658

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



The sample for the **mining industry** is represented mainly by large and medium-sized enterprises (**65,7%**), 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 **60,1%** 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** (**62,1%** and **59,8%**, respectively).

In transport and warehousing almost half of the sample is represented by large and medium-sized enterprises (**48,1%**), 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.

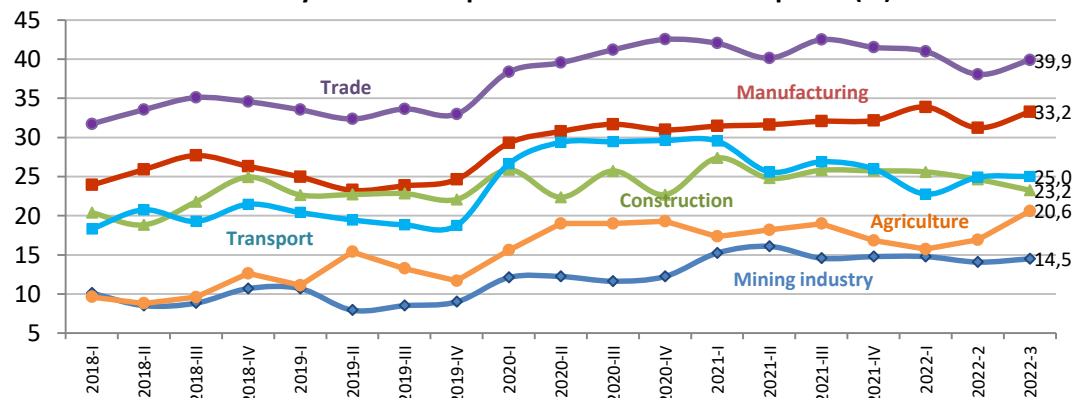
In trade the share of large and medium-sized enterprises in the sample, as well as in the general population, is low (**23,0%**).

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

In Q3 2022, the importance of competition has increased in all industries, except construction.

Trade remains the industry most affected by market competition, with 39,0% of enterprises feeling the impact of market competition on their business. The share of enterprises affected by competition in **manufacturing** reached **33,2%**, in **transport and warehousing** – **25,0%**, in **construction** – **23,2%**. The smallest share is in **agriculture** and **mining industry** (**20,6%** and **14,5%**, 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 2021.

Assessment of Economic Conditions: Conditions for Investment Activity

Chart 3. Restrictions on investment activity of enterprises

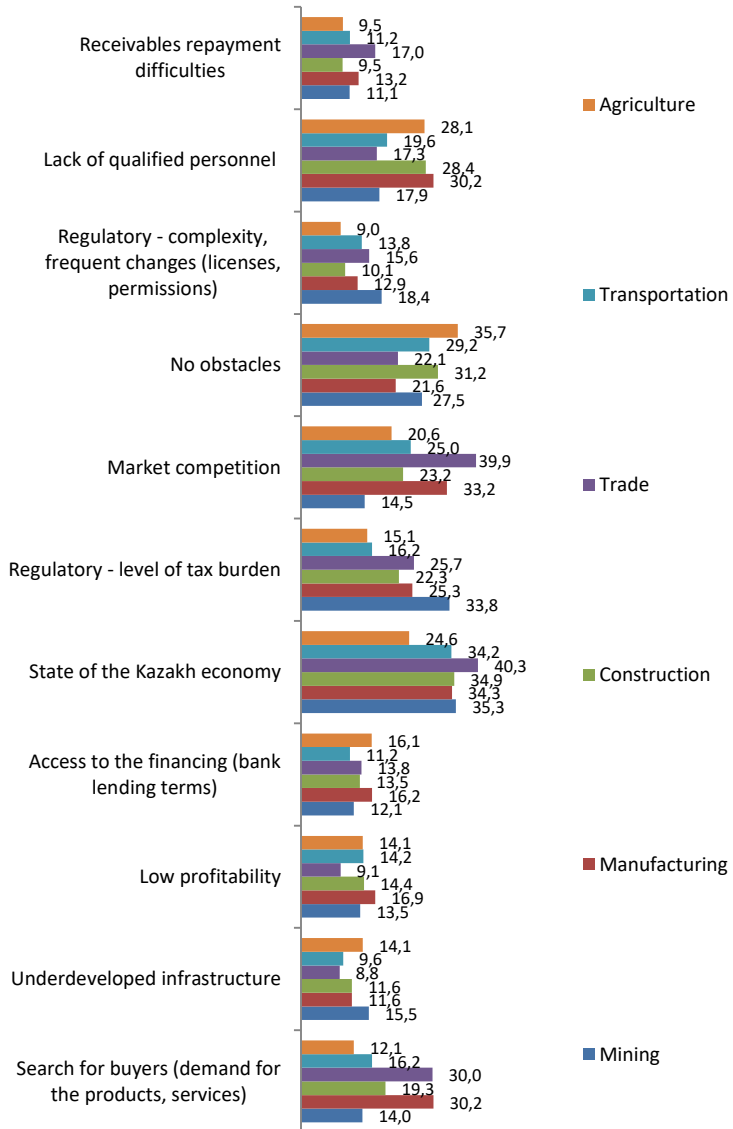
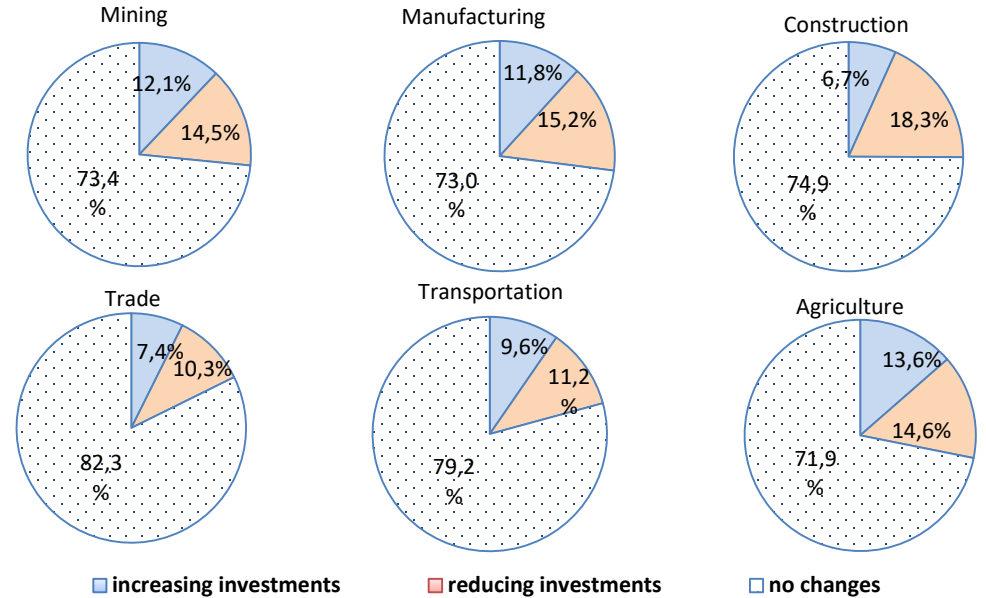


Chart 4. Expectations of enterprises for changes in investments in the next 12 months, %



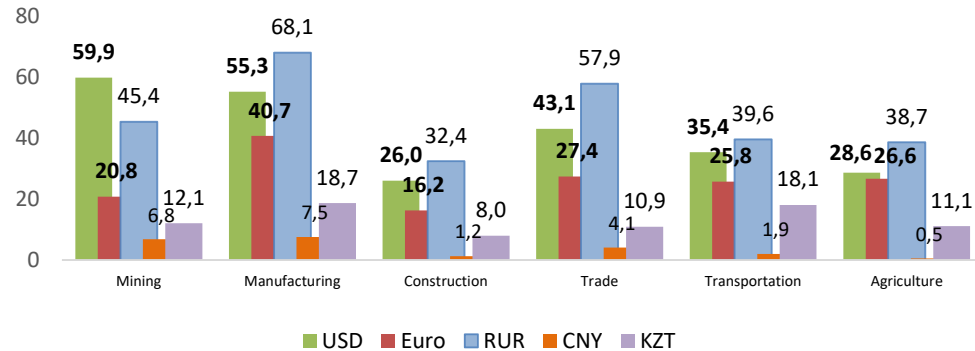
In Q3 of 2022, according to many enterprises, **the state of the economy of Kazakhstan** was the main obstacle to doing business.

For trade enterprises, one of the most important factor **is state of economy** and **competition** from other businesses. For manufacturing and trade enterprises, an important factor hindering business development is **insufficient demand** for products, **30,2%** of manufacturing enterprises and **28,1%** 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 agriculture, mining and in manufacturing, and the smallest – in trade and construction. The largest reduction in investment is expected in construction and manufacturing, the smallest - in trade and transportation. In all the industries under consideration, 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**.

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



The main currencies used in calculations with foreign partners are US dollar and Russian ruble. The US dollar dominates only in the mining industry 59,9% of enterprises, in the manufacturing industry the share of enterprises using Russian ruble is 68,1%, in trade – 57,9%. Tenge in the calculations was the most used by transportation (18,7%) and in transportation enterprises (18,1%).

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)

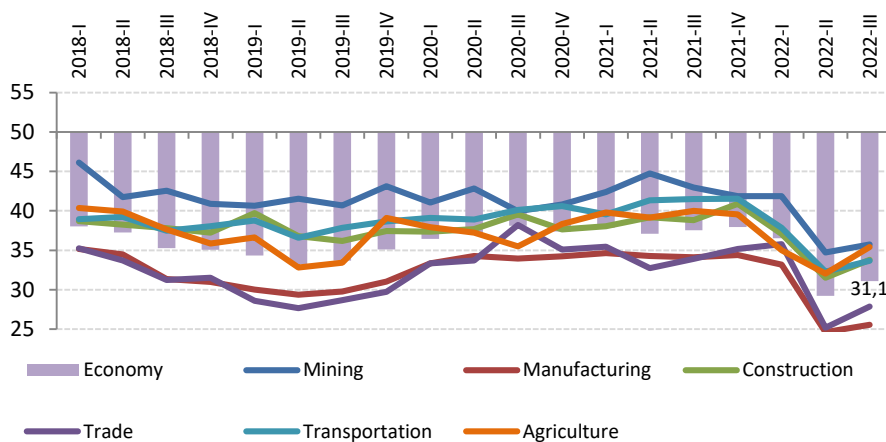
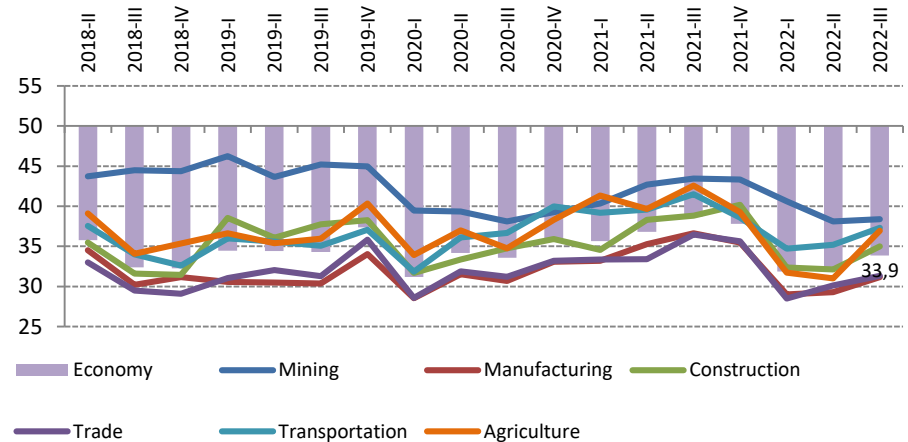


Chart 7. Impact of changes in the exchange rate of the tenge against the Russian ruble on the activities of the enterprise (DI by industry for the quarter)



In Q3 of 2022, the negative impact of the exchange rate of tenge against the Russian ruble in the economy as a whole decreased (DI was 31.1), decreasing for enterprises of all industries. The negative impact of the change in the tenge exchange rate against the US dollar decreased (DI was 33.9), decreasing for all sectors enterprises.

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

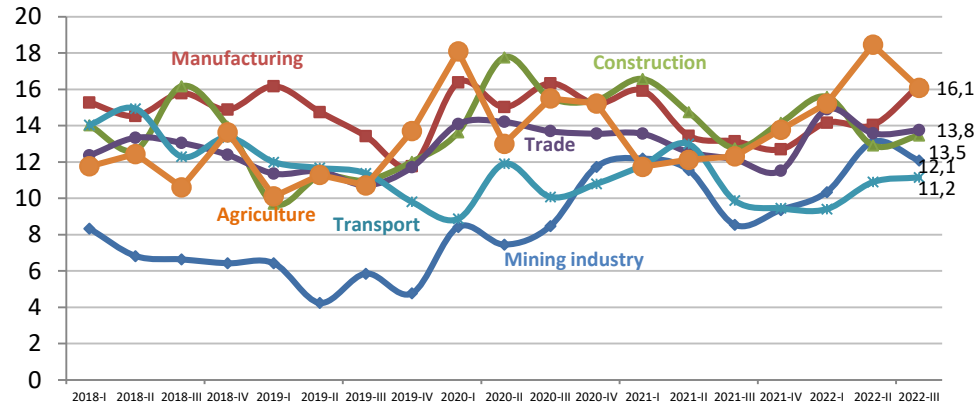
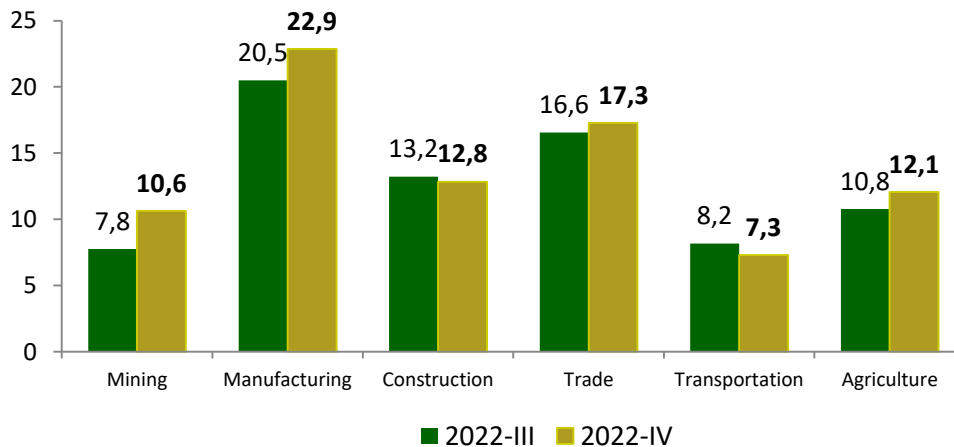


Table 1. Average lending rates,%

	In tenge		In foreign currency	
	in fact	preferred	in fact	preferred
Mining	14,3	3,9	5,8	1,7
Manufacturing	12,2	6,0	5,8	2,8
Construction	14,8	6,2	5,6	2,6
Trade	14,6	7,2	7,5	3,4
Transportation	14,9	4,4	5,3	2,4
Agriculture	12,4	5,1	4,0	2,2

Chart 9. Companies intending to apply for a loan in Q3 and in Q4 2022,%



In Q2 of 2022, enterprises of all industries except mining and agriculture noted a deterioration in access to bank loans. The largest number of enterprises which claim that lending conditions are unacceptable belongs to agriculture and mining industry (16,1%). The smallest number corresponds to transportation (11,2%).

The highest interest rates on loans received in tenge (14,9% and 14,8%) and in foreign currency (7,5%) were noted in the trade.

The largest share of enterprises intending to apply for a loan in Q4 of 2022 is in the manufacturing and trade (22,9% and 17,3%, respectively), the smallest - in the "transportation and warehousing" industry (7,3%).

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

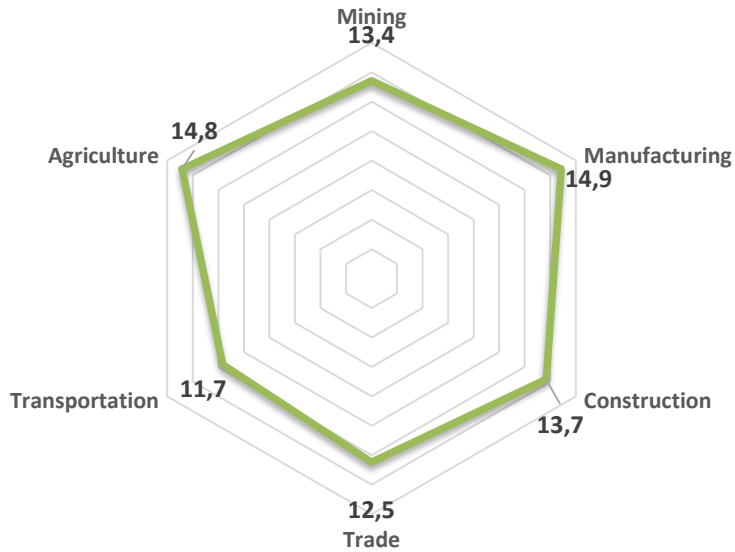


Chart 11. The share of enterprises with overdue *** debt on bank loans, %

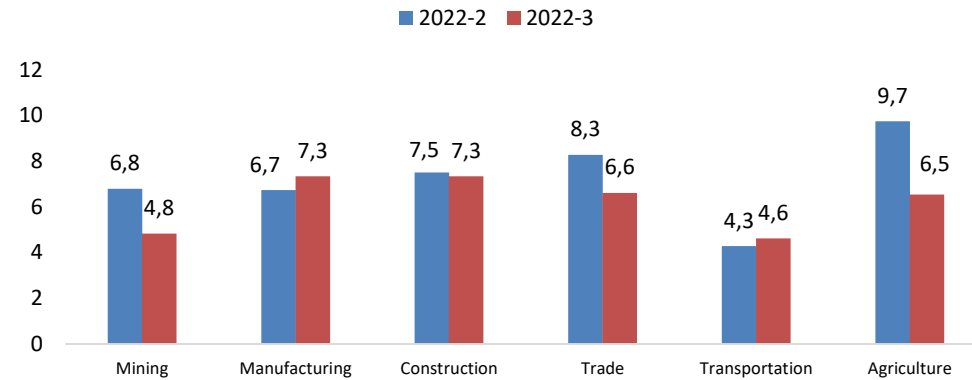
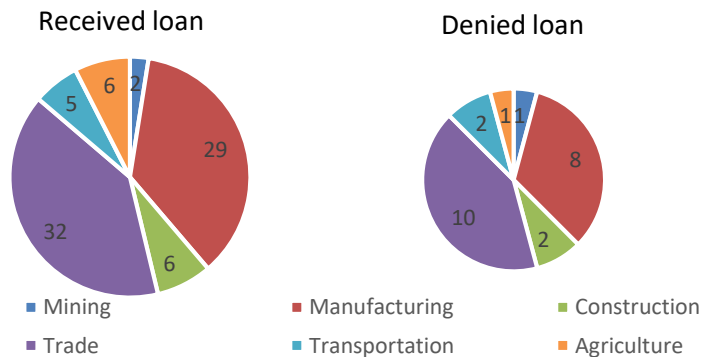


Chart 12. Results for consideration of loan applications, number



In Q3 2022, the weighted average credit burden in manufacturing was higher than in other sectors. In mining, in average **14,9%** of income from sales of products is spent for debt repayment. The lowest value of this indicator was in transport and warehousing (**11,7%**).

In mining sector the share of enterprises with overdue debt on bank loans increased, and decreased in all other sectors.

In Q3 of 2022, **24 enterprises** from the sample were denied loans, which belong to manufacturing, trade, construction, agriculture and transportation.

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

** Monthly payment / Income from product sales * 100

*** more than 90 days

Assessment of real performance indicators of enterprises:

Chart 13. Mining industry, DI*

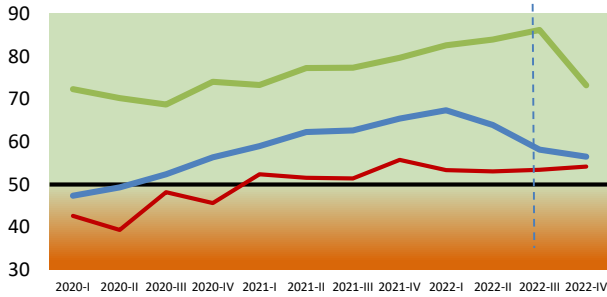


Chart 14. Manufacturing, DI*

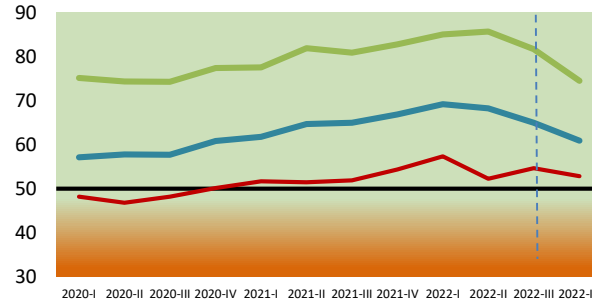


Chart 15. Construction, DI*

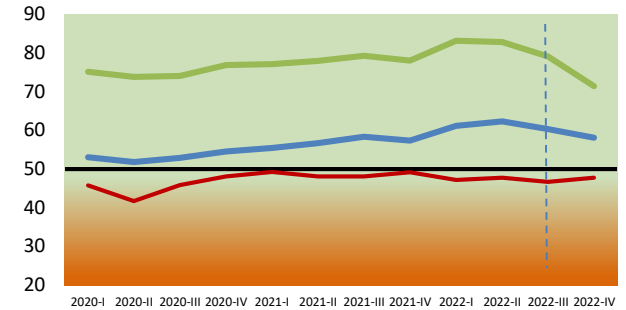


Chart 16. Trade, DI*

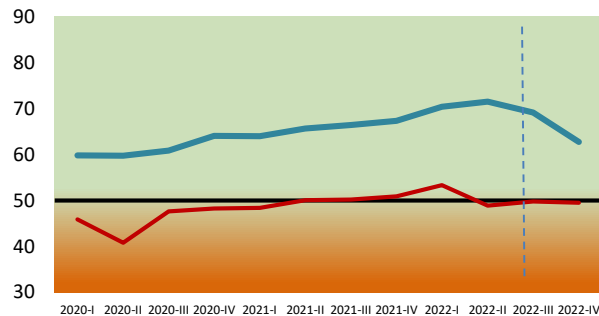


Chart 17. Transportation and warehousing, DI*

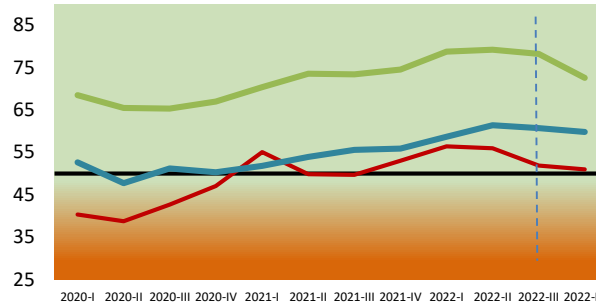
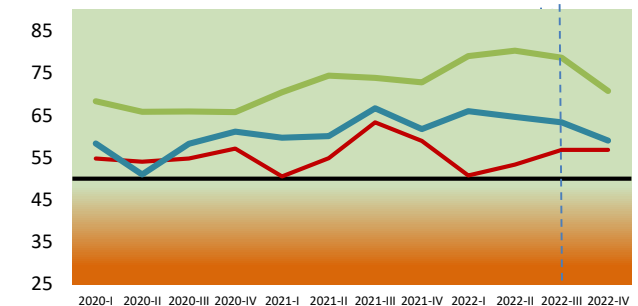


Chart 18. Agriculture, DI*



— Demand

— Production prices

— Prices for raw materials

In Q3 of 2022, a slight improvement in the situation with **the demand for final products** noted in sectors of mining and agriculture, and some deterioration is noted in transportation. In the trade and construction the indicator remains in the negative area. In Q4 of 2022 some decrease in demand is expected in all industries except agriculture and mining.

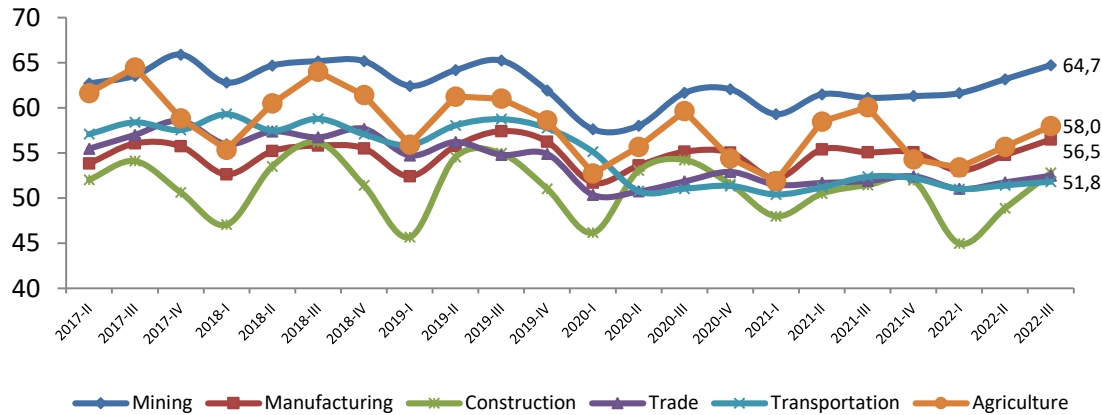
Deceleration of the growth rate of prices for raw materials in Q3 of 2022 was noted in all industries except mining industry. The growth of prices for final has also decelerated in all industries. In Q4 of 2022, some slowdown of the growth rate of prices for raw materials and final products are expected in all 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 Q4 of 2022

Assessment of real performance indicators of enterprises: Capacity utilization rate

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

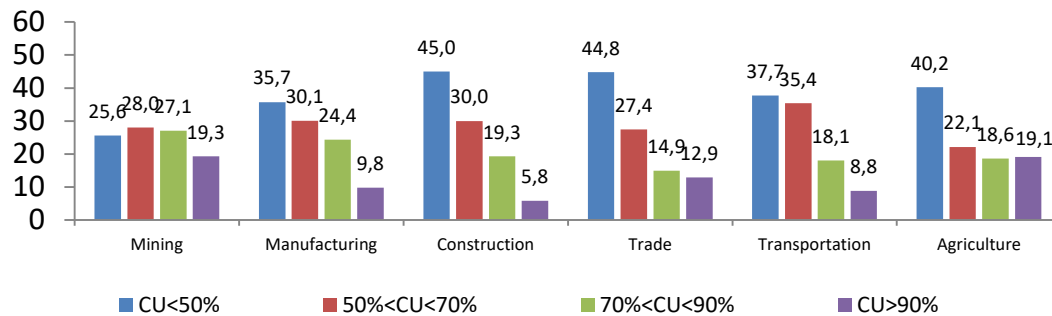


In Q3 of 2022, an increase in the level of **capacity utilization (CU)** was noted in all industries. The largest increase noted in construction.

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.

The highest weighted average CU remains in the mining industry (**64,7%**). The construction, trade 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.

Chart 20. The level of utilization of production capacities in the 3rd quarter of 2022, 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.

Assessment of real performance indicators of enterprises:

Financial performance of enterprises

Table 2. Median* value of main indicators

	CLR	SR	ATR	ROS**	SFR	SWCA
Mining	1,44	1,54	0,20	46,3	0,54	51,7
Manufacturing	1,53	1,45	0,28	22,8	0,38	67,0
Construction	1,16	1,18	0,26	19,9	0,28	70,5
Trade	1,15	1,18	0,42	21,3	0,19	83,7
Transportation	1,25	1,60	0,18	27,3	0,44	39,0
Agriculture	1,27	1,31	0,09	21,2	0,45	42,0

The main **indicators of the financial and economic activities of enterprises** in the Q3 of 2022 were as follows:

- manufacturing companies have the highest liquidity (**CLR = 1,53**);
- mining and transportation and warehousing companies are the most solvent (**SR = 1,54** and **1,6** respectively);
- business activity in trade is significantly higher than in other industries (**ATR=0,42**);
- mining companies are the most profitable (**ROS = 46,3%**), the least profitable – construction and agriculture (**ROS = 19,9%** and **21,2%**);
- the opportunity of financing investments on their own funds in the mining industry is higher than in other industries (**SFR = 0,54**);
- most of the assets of trade enterprises are current assets (**SWCA = 83,7%**).

Table 3. Financial indicators overview

	Formula	Short description
CLR (current liquidity ratio)	Current assets / Current liabilities	It characterizes the company's ability to repay current (short-term) liabilities using only current assets. The higher the indicator, the better the company's solvency.
SR (solvency ratio)	Assets / Liabilities	Shows the ability to cover all the liabilities of the enterprise (short-term and long-term) with all of its assets
ATR (asset turnover ratio)	SI / Assets SI - income from product sales	Shows the intensity of use (rate of turnover) of assets. It serves as an indicator of the business activity of the enterprise
ROS (return on sales)	(SI – COGS) / SI * 100 COGS - cost of goods sold	An indicator of the financial performance of the organization, showing what part of the organization's revenue is profit (before tax)
SFR (self-financing ratio)	E / (E + Liabilities) E – equity	The ratio of own investment funds to the total amount of funds required for investment
SWCA (share of working capital in assets)	Short-term assets / Assets * 100	Allows to judge the liquidity of the balance as a whole

* The median values are presented due to the lower degree of exposure to the influence of extreme values, in contrast to the arithmetic mean.

** Sales before deducting interest, taxes and depreciation expenses

Assessment of enterprises real performance indicators:

Financial performance of enterprises

Chart 21. Current liquidity ratio dynamics (CIR)

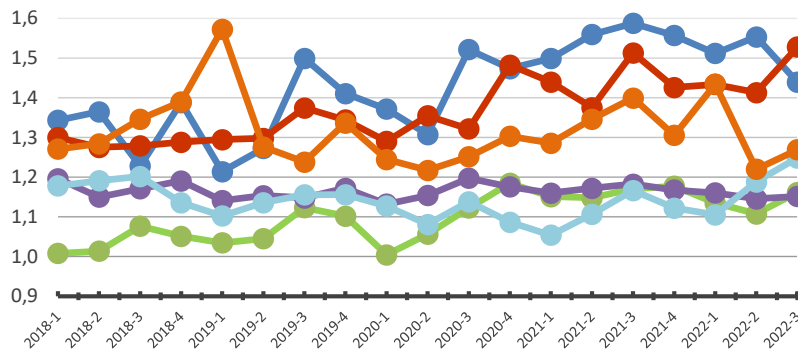


Chart 23. Self-financing ratio dynamics (SFR)

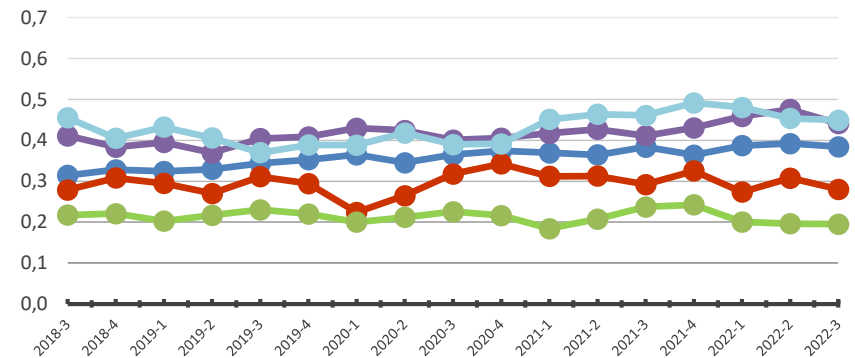


Chart 22. Asset turnover ratio dynamics (ATR)

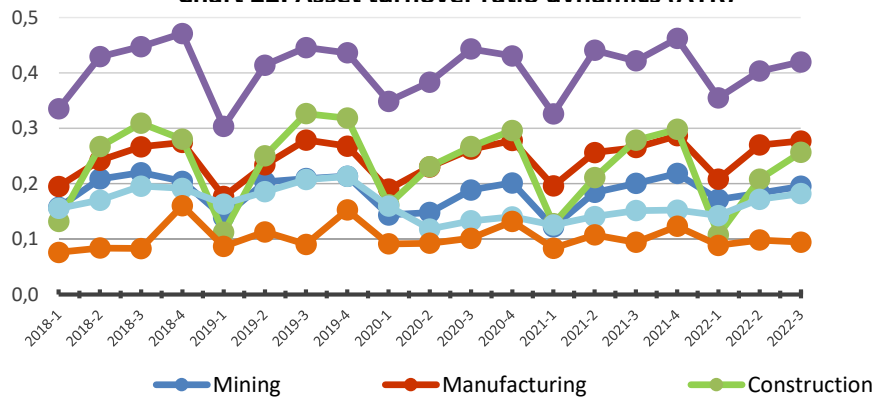
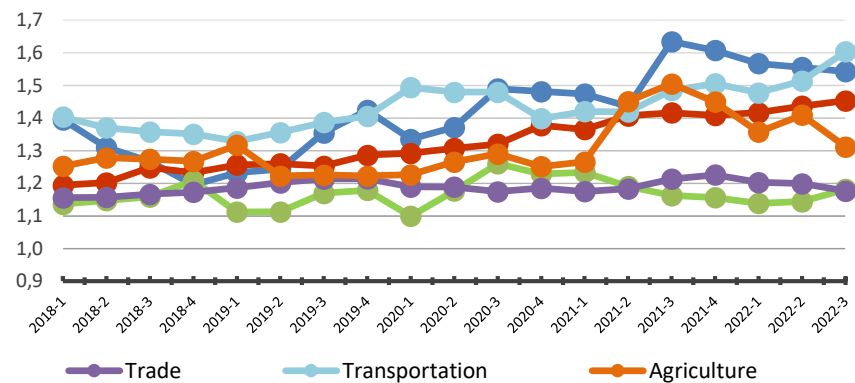


Chart 24. Overall solvency ratio dynamics (SR)



In Q3 2022, the ability of enterprises to pay off their short-term liabilities improved in all industries (CIR decreased in mining only). There was an improvement in the business activity in all sectors (except agriculture). The biggest improvement was in construction (ATR increased from 0,21 to 0,26). The ability to cover liabilities of enterprises increased in manufacturing, construction and transportation and decreased in all others. The largest increase was noted in agriculture (SR=1.31).

The ability to finance investments from their own funds has decreased in all sectors under consideration.

* The median values are presented due to the lower degree of exposure to the influence of extreme values, in contrast to the arithmetic mean

** Formula and the short description of the financial indicators are on the table 3 (page 11)

Assessment of real performance indicators of enterprises:

Financial performance of enterprises

Chart 25. Return on sales *, %

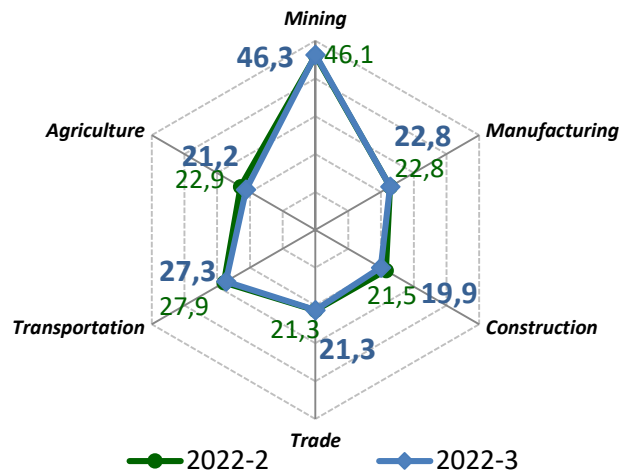


Chart 26. Dynamics of sales profitability *, %

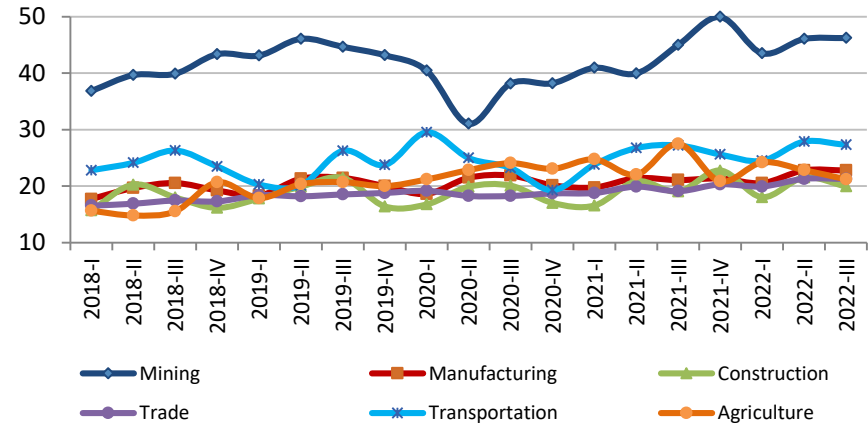


Chart 27. The share of enterprises planning to end the financial year with profit / loss, %



The return on sales (before tax and interest deduction and depreciation expenses) in Q3 of 2022 has increased in mining and decreased in agriculture, construction, and transportation. 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 agriculture (12,3%).

Manufacturing and trade companies are much more optimistic in their estimates: the share of enterprises planning to close the year with a profit is 46,3% and 42,1%, 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.

Assessment of real performance indicators of enterprises:

Debt burden in industries

The situation with overdue debt outside the banking sector, that is, with suppliers, contractors, customers, buyers, etc. has changed. According to the results of Q3 2022, the share of enterprises with overdue (more than 90 days) **accounts receivable** increased (from **22,9%** to **24,0%**) and **accounts payable** increased (from **21,4%** to **22,1%**) on average in the economy.

In all sectors except agriculture and transportation the share of enterprises with overdue accounts receivable has **increased**. The share of enterprises with overdue accounts payable **increased** in mining and trade. The largest number of enterprises with overdue accounts receivable was noted in construction and with overdue accounts payable - in the mining industry (**25,6%** and **28,5%**).

Chart 28. Overdue accounts receivable debt (%)

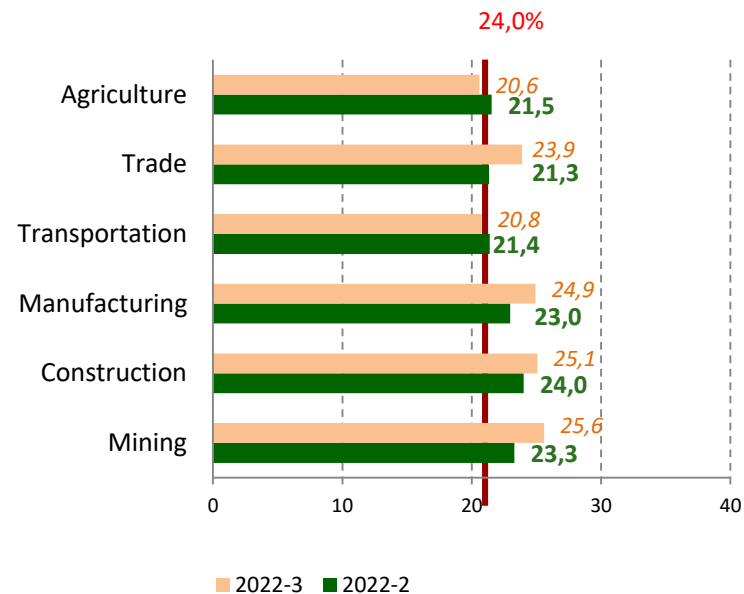
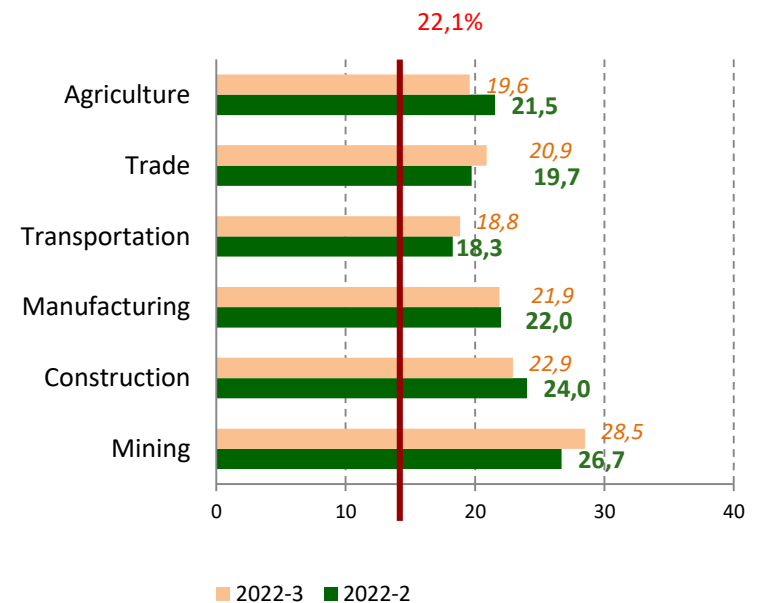


Chart 29. Overdue payables debt (%)



Assessment of real performance indicators of enterprises:

Production volumes and expenses for work force

Chart 30. Production volume dynamics, DI *

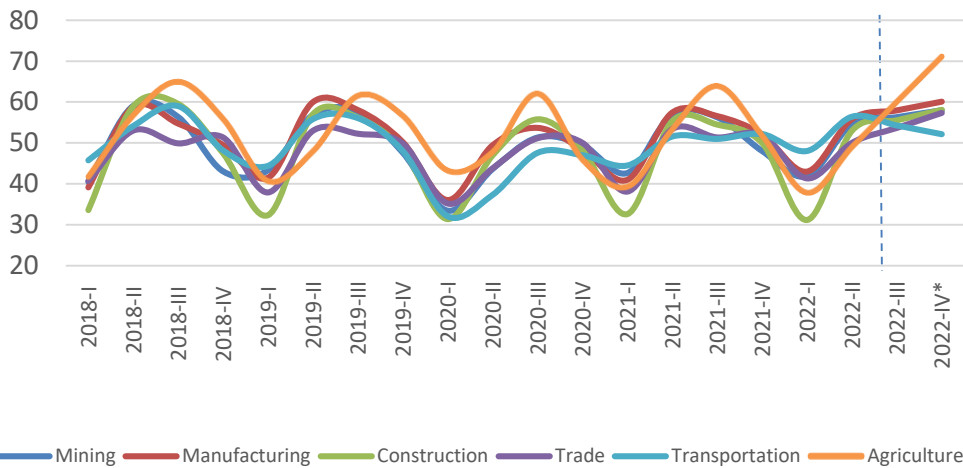


Chart 31. Number of employed dynamics, DI

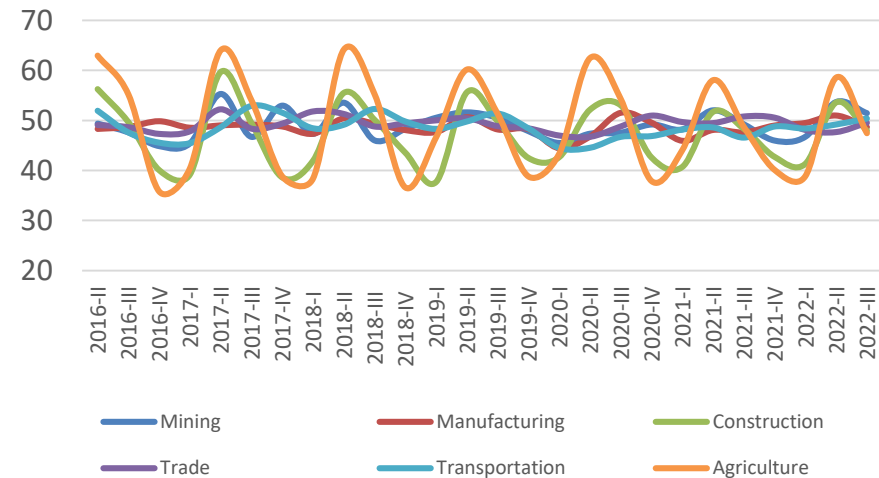
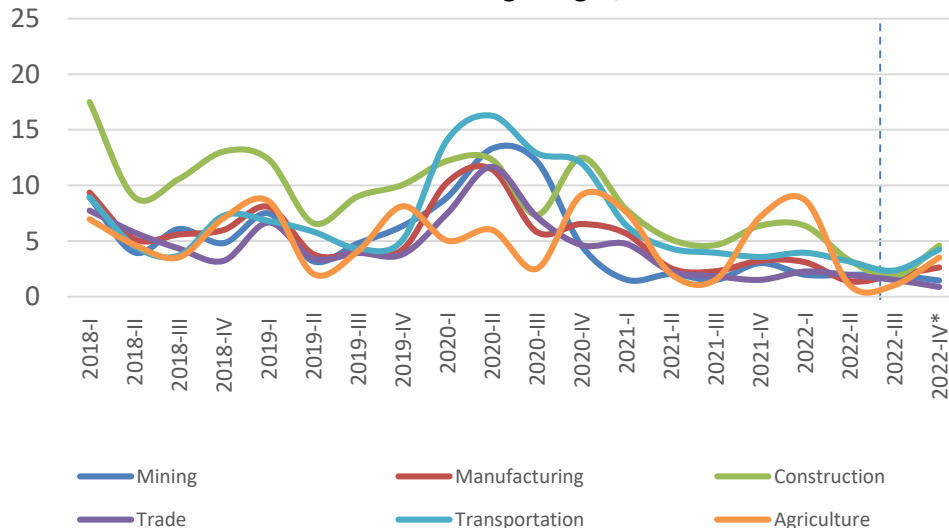


Chart 32. Dynamics of the share of enterprises that reduced average wages,%



In Q3 of 2022, in all the industries under consideration an **increase in production volumes** was noted. In Q4 of 2022 some improvement in the production volumes is expected, except transportation.

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

In Q3 of 2022, the number of enterprises that reduced the average wages increased in all sectors. In Q4 of 2022, the situation will improve in mining and trade.

* 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 2022

- 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 2022, the negative impact of the exchange rate of tenge against the Russian ruble in the economy as a whole decreased (DI was 31.1), decreasing for enterprises of all industries. The negative impact of the change in the tenge exchange rate against the US dollar decreased (DI was 33.9), decreasing for all sectors enterprises.
- The main currencies used in calculations with foreign partners are US dollar and Russian ruble. The US dollar dominates only in the mining industry 59,9% of enterprises, in the manufacturing industry the share of enterprises using Russian ruble is 68,1%, in trade – 57,9%.
- In Q3 of 2022, in all the industries under consideration an increase in production volumes was noted, except transportation. In Q4 of 2022 some improvement in the production volumes is expected, except transportation. The level of capacity utilization increased in all sectors. The largest increase was noted in construction.
- The highest capacity utilization remains in the mining industry (64,7%).
- In Q3 of 2022, a slight improvement in the situation with the demand for final products noted in sectors of mining and agriculture, and some deterioration is noted in transportation. In the trade and construction the indicator remains in the negative area.
- The **return on sales** in the mining industry is significantly higher than in other industries. An increase was noted in all industries except agriculture . In Q3 of 2022 has increased in mining and decreased in agriculture, construction, and transportation.
- The share of enterprises with overdue (more than 90 days) accounts receivable increased (from **22,9% to 24,0%**) and accounts payable increased (from **21,4% to 22,1%**) on average in the economy
- Deceleration of the growth rate of prices for raw materials in Q3 of 2022 was noted in all industries, except mining. The growth of prices for final products has also decelerated.
- In Q4 of 2022, some slowdown of the growth rate of prices for raw materials and final products are expected in all industries under consideration.