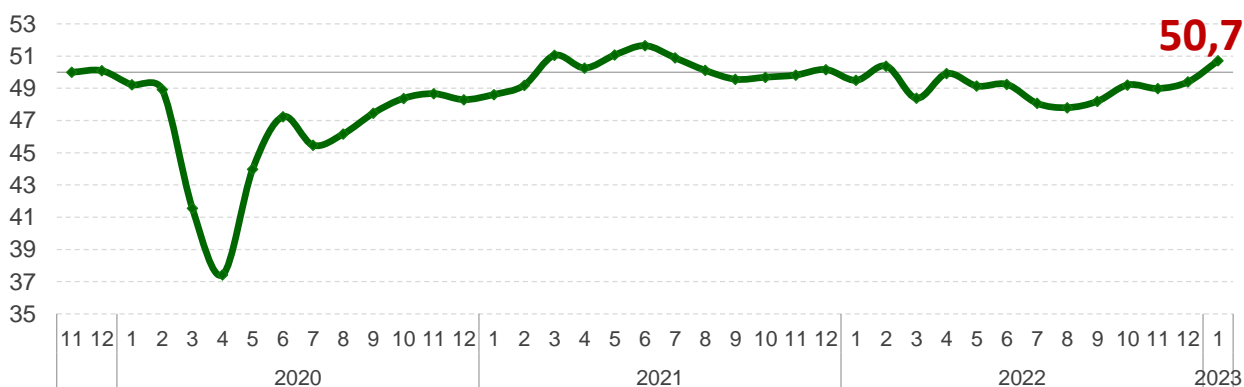**NATIONAL BANK OF KAZAKHSTAN**

Business activity index

January 2023

> **After eight consecutive months of being in the negative area, the business activity situation improved, and in January 2023, the index moved into the growth area.**

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

* A value of the indicator above level 50 means a positive change, below level 50 - a negative. The further (higher or lower) the index value is from the 50 level, the higher the rate of change (increase or decrease) of the indicator.
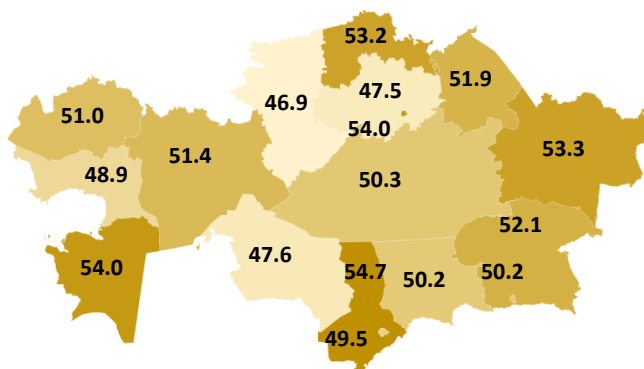
The business activity index rose to 50.7 in January 2023.

The improvement in business activity was noted in the service and manufacturing sectors, where the indices rose to 52.1 and 51.3, respectively (in December 2022 – 49.7 and 50.7). In the construction and mining industry, the index was below the 50 mark, while in construction there was a slight improvement to 48.6 (in December – 47.3). In the mining industry, due to a decrease in the volume of new products, new orders, the level of employment and an increase in delivery times, business activity decreased to 45.9 (in December – 47.2). In other sectors, there was an improvement in all components except delivery times.

Graph 2. BAI in January by regions

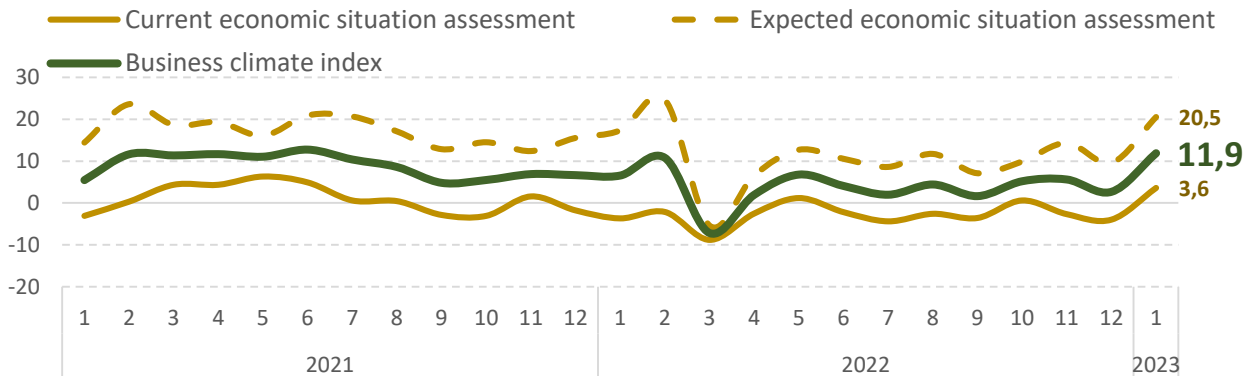**In 12 regions business activity improved, in 5 regions it worsened.**

The highest index value was recorded in the Turkistan region (54.7), the lowest - in the Kostanay region (46.9).

Business climate index

The business climate index has improved noticeably. The indicator increased in all sectors. According to the enterprises' estimates, the current business conditions have become more favorable, and expectations regarding future conditions have also improved.

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

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

The enterprises positively assessed the current business conditions as a whole, while the assessments of individual factors of business conditions did not improve
Positive assessments prevail only for access to communications. Other factors of business conditions (tax burden, access to finance/loans, business protection issues, demand for finished products) are assessed more negatively.
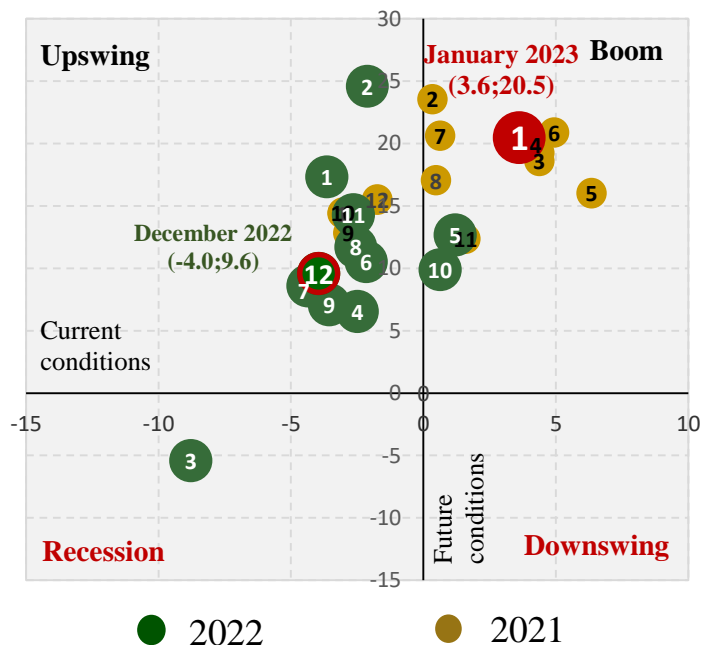
In January 2023 the indicator of business cycle clock moved from the upswing area to boom area

The assessment of the current business conditions by enterprises turned out to be positive, amounting to 3.6.
The assessment of future business conditions for the next 6 months also improved, amounting to 20.5.

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

Graph 4. Business cycle clock

METHODOLOGICAL COMMENT

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

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

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

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

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

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

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

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

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

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

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

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