

# **SECTORAL MARKET REVIEW**

**Enterprises Survey Results in the Real Sector of the Economy**

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

**Q4 2022**



**Monetary Policy Department  
National Bank of Kazakhstan**

## **General**

### **I. Assessment of economic conditions:**

- competitive environment (p. 4)
- conditions for investment activity (p. 5)
- the effect of the exchange rate (p. 6)
- credit conditions (p. 7-8)

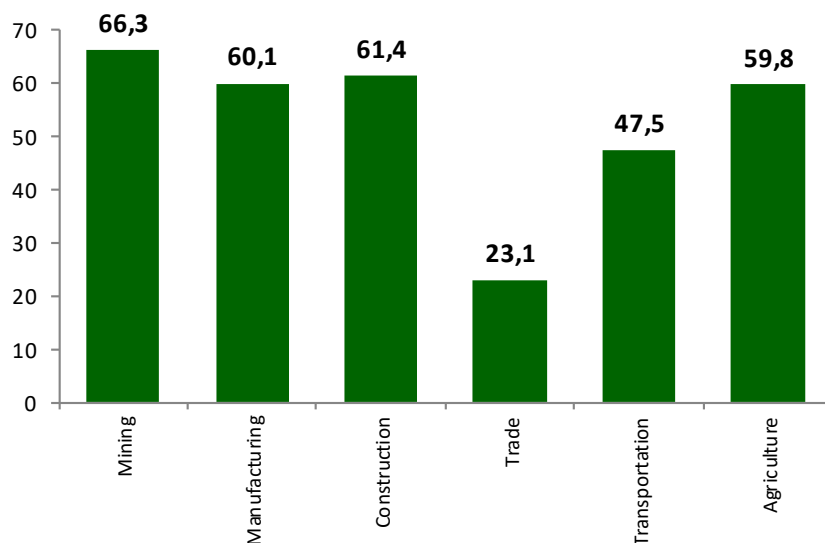
### **II. Assessment of real performance indicators of enterprises**

- dynamics of demand and prices (p. 9)
- capacity utilization (p. 10)
- financial performance of enterprises (p. 11-13)
- debt burden in industries (p. 14)
- production and labor costs (p. 15)

## **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 2022
Total monitoring participants	➤ 3361
Sample details	
Mining enterprises	➤ 205
Manufacturing enterprises	➤ 730
Construction enterprises	➤ 324
Trade enterprises	➤ 954
Transport and warehouse enterprises	➤ 261
Agricultural enterprises	➤ 199
Total respondents for the sample	➤ 2 673

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



In Q4 of 2022 the importance of competition increased only in the manufacturing industry, while in the mining industry it practically remained at the same level.

**Trade** remains the industry most affected by market competition, with **38.7%** of businesses experiencing its impact on their business.

In the **manufacturing** industry the share of such enterprises reaches **34.2%**, in **construction** - **22.8%**, in **transport** - **22.6%**. The smallest share was noted in **agriculture** and **mining** (**17.1%** and **14.6%**, respectively).

The sample for the **mining** industry is represented mainly by large and medium-sized enterprises (**66.3%**), among which the largest share is occupied by enterprises for the extraction of oil and natural gas, metal ores, as well as enterprises providing technical services in the industry.

Large and medium enterprises in the **manufacturing** industry account for **60.1%** of the total number of surveyed enterprises in the industry. The largest volumes in the industry are produced by enterprises of the metallurgical industry.

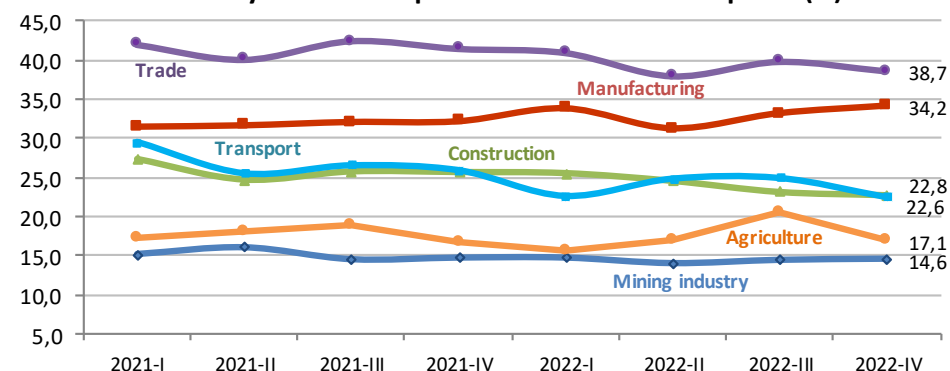
**Construction** and **agriculture** are also dominated by large and medium enterprises (**61.4%** and **59.8%**, respectively).

In **transportation and warehousing**, almost half of the sample is represented by large and medium-sized enterprises (**47.5%**), most of which provide services for the transportation of oil and oil products through trunk pipelines. Among them there are many enterprises from the register of subjects of natural monopolies.

In **trade** the share of large and medium-sized enterprises in the sample, as well as in the general population, is low (**23.1%**).

The **representativeness\*** of the sample for these industries is 43.5%.

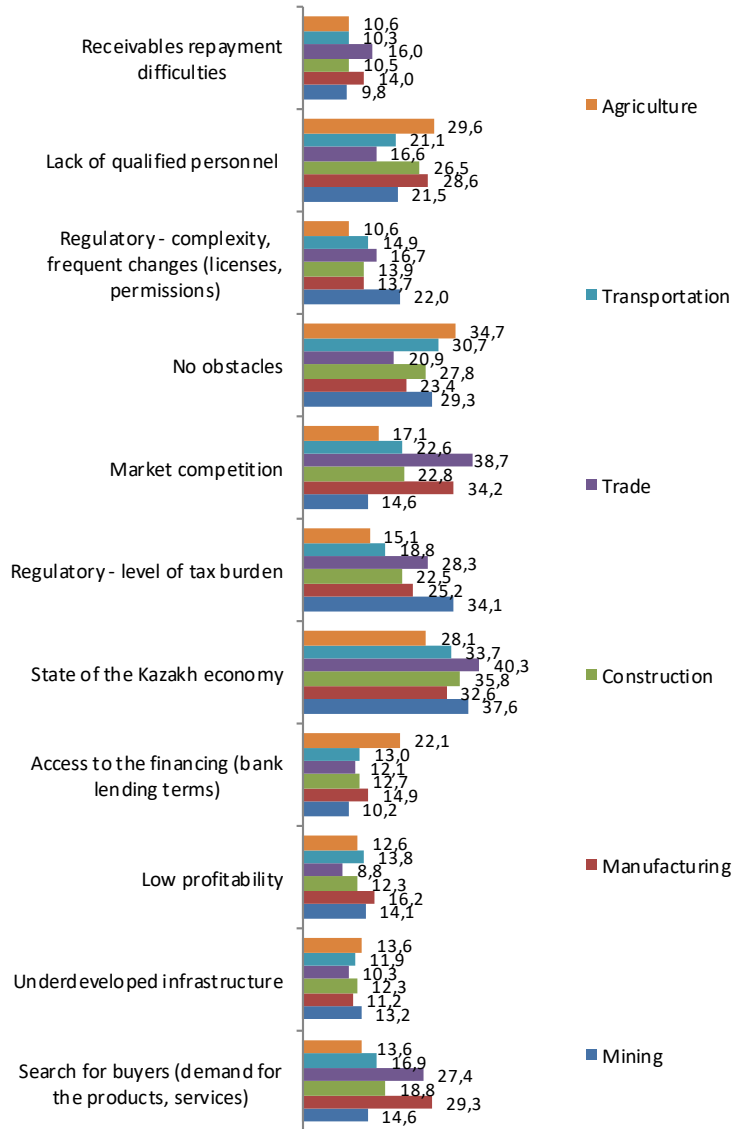
**Chart 2. The share of enterprises whose further development opportunities are limited by market competition from other enterprises (%)**



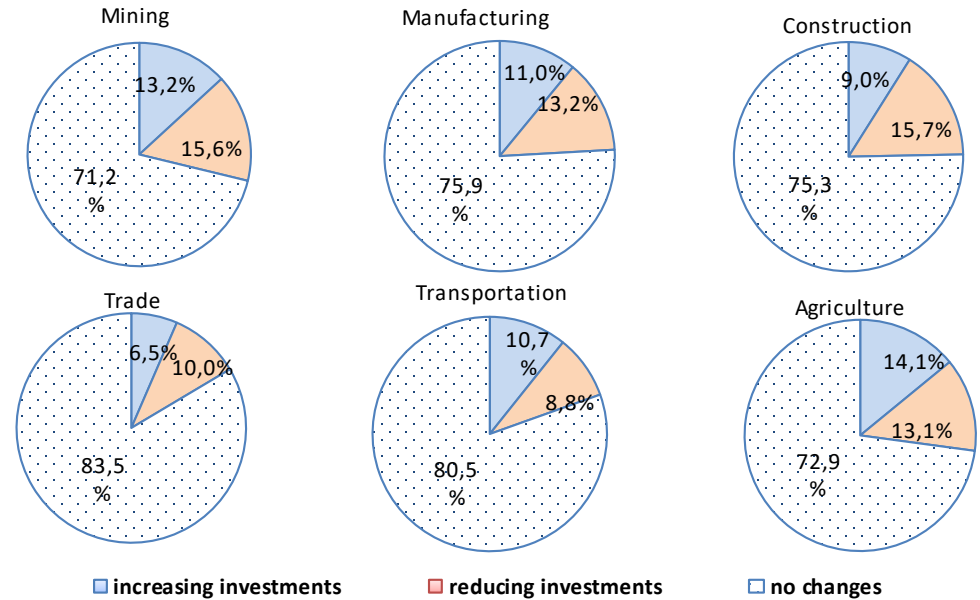
\* Representativeness in the monitoring of enterprises is assessed by the formula:  $SI_{ME} / SI_{SC} * 100$ , where  $SI_{ME}$  is the income from product sales ( $SI$ ) of enterprises participating in the NBRK monitoring;  $SI_{SC}$  – sales income according to Statistics Committee.  
The representativeness\* of the sample is given for 3<sup>rd</sup> 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, %**

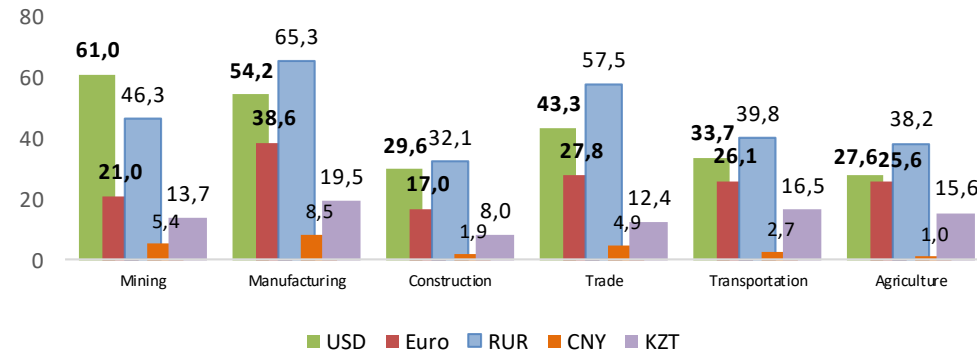


In Q4 of 2022 according to many enterprises, the **state of the economy** of Kazakhstan turned out to be the main obstacle in doing business.

For trade enterprises, the main thing is the **state of the economy** and **competition** from other enterprises.

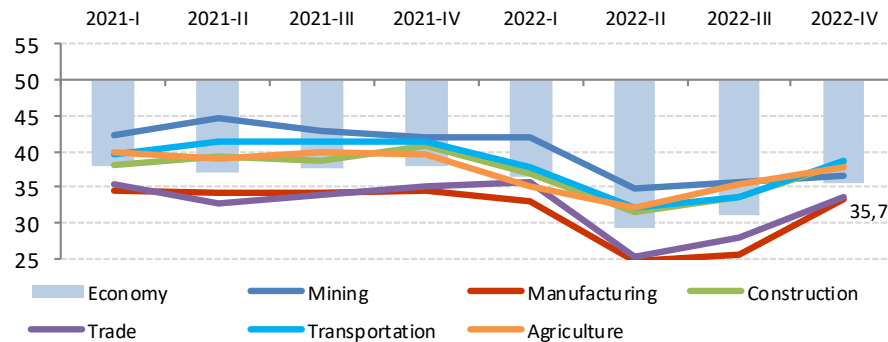
For enterprises of the manufacturing industry and trade, an important factor hindering the development of business is also **insufficient demand for products**, 29.6% of agricultural enterprises and 28.6% of manufacturing enterprises also note a **shortage of qualified personnel**. In the next 12 months, funding in all sectors will remain largely at the same level, with the largest increase in funding planned for agriculture, mining and manufacturing, and the smallest increase in trade and construction. The largest reduction in investment is expected in construction and mining, the smallest - in transport and trade. In all sectors under consideration, except for transport and agriculture, the share of enterprises planning to reduce investment 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, %)**

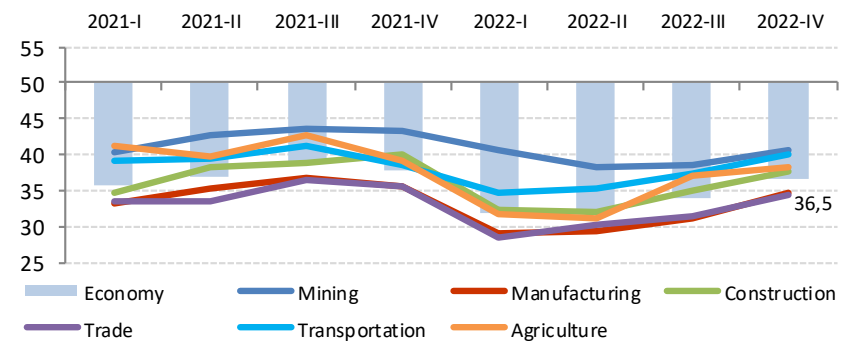


The main currencies used in settlements with foreign partners are the Russian ruble and the US dollar. The Russian ruble dominates in all sectors except mining (the US dollar dominates). Tenge in the calculations in Q4 of 2022 was most used by manufacturing enterprises - 19.5%.

**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)**

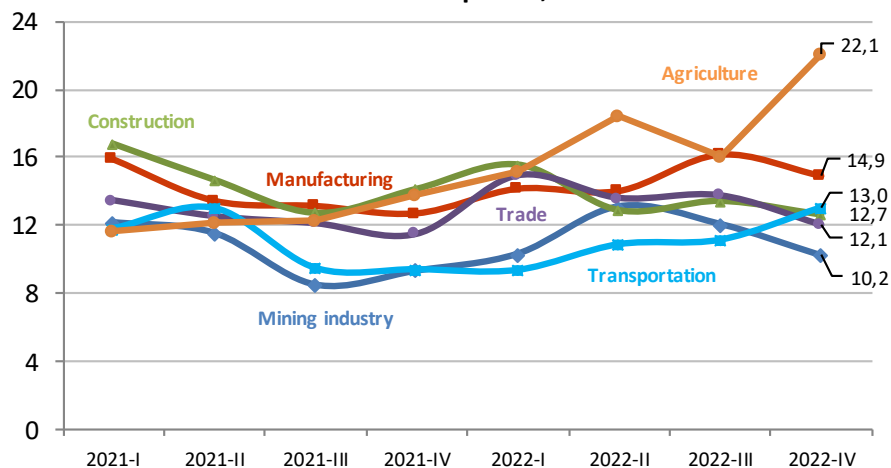


**Chart 7. Impact of changes in the exchange rate of the tenge against the Russian ruble on the activities of the enterprise (DI by industry for the quarter)**

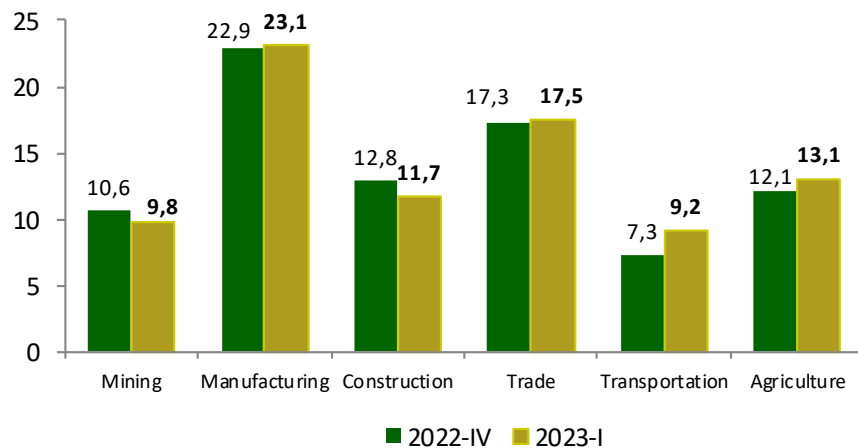


In Q4 of 2022 the negative impact of the change in the exchange rate of the tenge against the Russian ruble in the economy as a whole decreased (DI was 35.7) for enterprises in all industries. The negative impact of the change in the exchange rate of the tenge against the US dollar also decreased for enterprises of all industries (DI was 36.5).

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



**Chart 9. Companies intending to apply for a loan in Q4 of 2022 and in Q1 of 2023, %**



**Table 1. Average lending rates, %**

	In tenge		In foreign currency	
	in fact	preferred	in fact	preferred
Mining	18,0	3,9	5,7	1,8
Manufacturing	15,7	6,0	5,0	2,9
Construction	17,5	5,8	7,7	2,5
Trade	17,0	7,9	5,3	3,8
Transportation	16,5	5,6	6,7	2,9
Agriculture	17,1	5,0	0,0	2,1

In Q4 of 2022 in all sectors, except for agriculture and transport, the share of enterprises for which bank lending conditions are unacceptable decreased. The largest number of enterprises for which credit conditions are unacceptable belongs to the agricultural sector (22.1%), and the smallest number is in the mining industry (10.2%). The highest interest rates on loans received in tenge (18.0% and 17.5%) were noted in the mining industry and construction, in foreign currency (7.7%) - noted in construction. The largest share of enterprises intending to take out a loan in Q1 of 2023 is in the manufacturing industry and trade (23.1% and 17.5%, respectively), the smallest is in the transport and warehousing industry (9.2%).

# Assessment of Economic Conditions:

## Credit Conditions

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

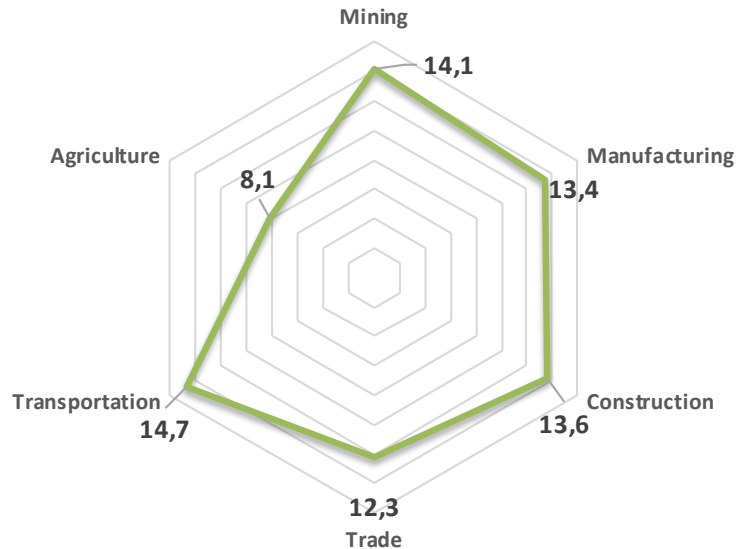


Chart 11. The share of enterprises with overdue \*\*\* debt on bank loans, %

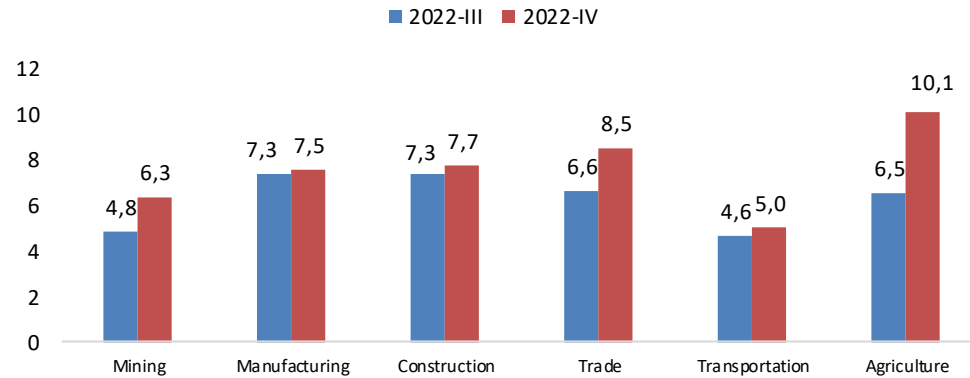
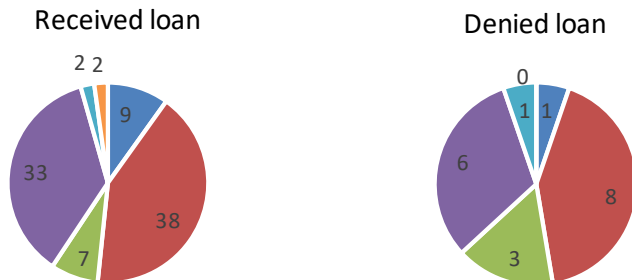


Chart 12. Results for consideration of loan applications, number



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

\* 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

In Q4 of 2022 the weighted average credit burden in the transport and warehousing industry was higher than in other industries. The lowest value of this indicator was noted in the agricultural sector (8.1%).

The share of enterprises with arrears on bank loans increased in all industries.

In Q4 of 2022 out of a sample of the sectors under consideration, **19 enterprises** of all sectors, except for agriculture, were denied loans.



# Assessment of real performance indicators of enterprises:

Chart 13. Mining industry, DI\*

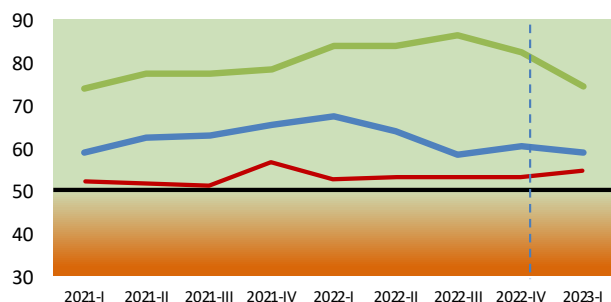


Chart 14. Manufacturing, DI\*

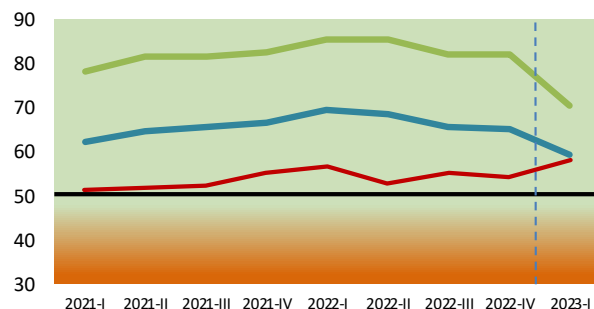


Chart 15. Construction, DI\*

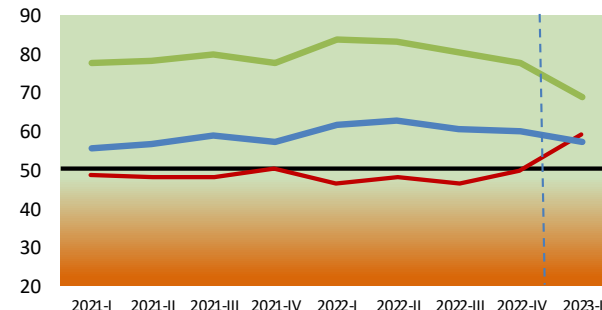


Chart 16. Trade, DI\*

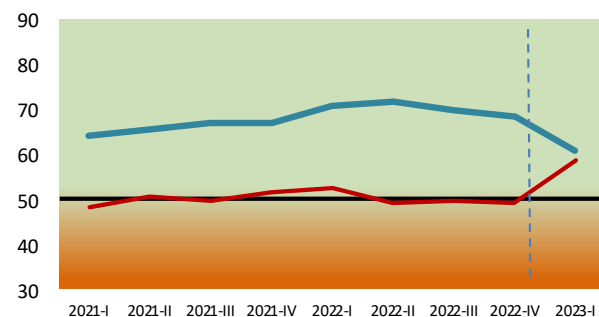


Chart 17. Transportation and warehousing, DI\*

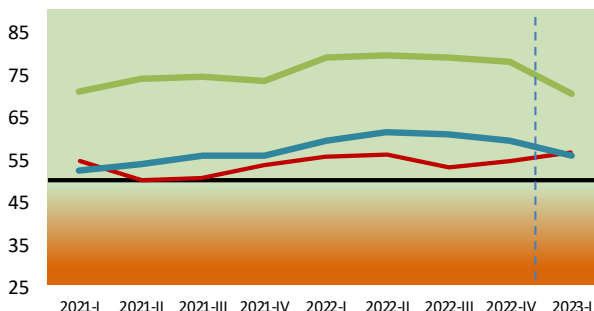
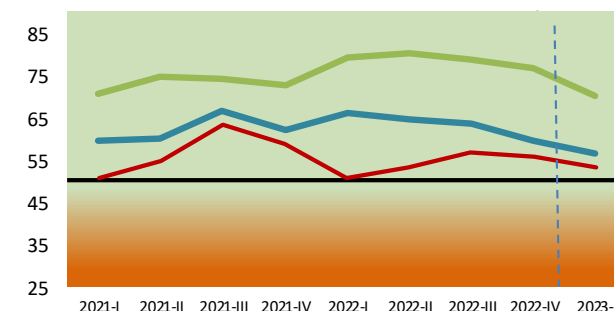


Chart 18. Agriculture, DI\*



— Demand

— Production prices

— Prices for raw materials

In Q4 of 2022 there was some improvement in the situation with the **demand for finished products** in the mining industry, as well as transport and warehousing, and a deterioration in the trade industry. Demand indicators for trade and construction are in the negative zone. Demand is expected to improve in 1Q of 2023 in all sectors except agriculture (slight slowdown).

A slowdown in the growth rate of **prices for raw materials and materials** in Q4 of 2022 was noted in all industries. The growth of prices for finished products in all sectors, except for the mining industry, also slowed down (acceleration). In Q1 of 2023 a slowdown in the growth rates of **prices for raw materials and materials and finished products** in all sectors under consideration is expected.

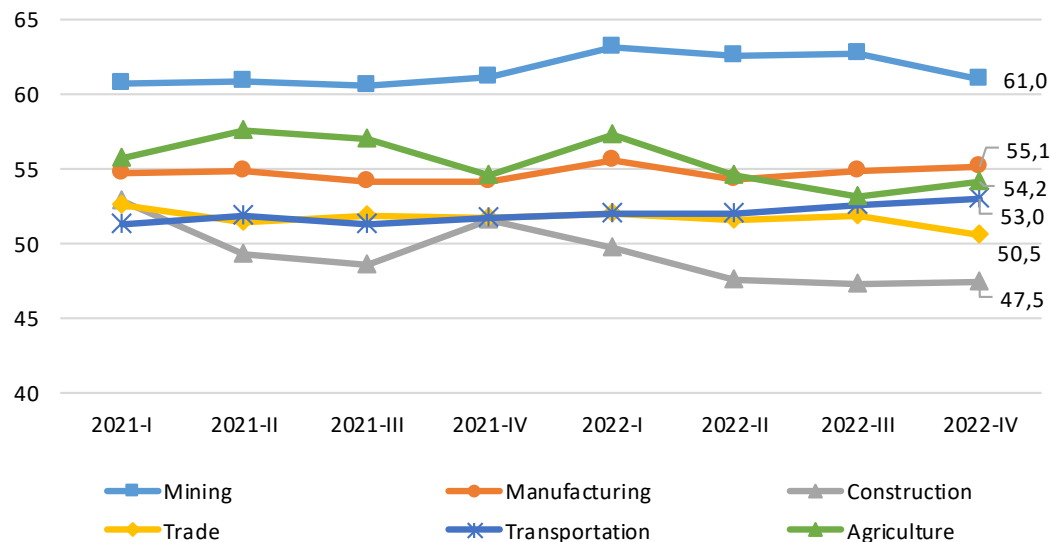
\* DI, diffusion index, the higher (lower) the level of 50, the more positive (negative) the influence of the indicator, level 50 means no influence

\*\* The graphs reflect the expectations of enterprises for the change in the parameter in the Q1 of 2023

# Assessment of real performance indicators of enterprises:

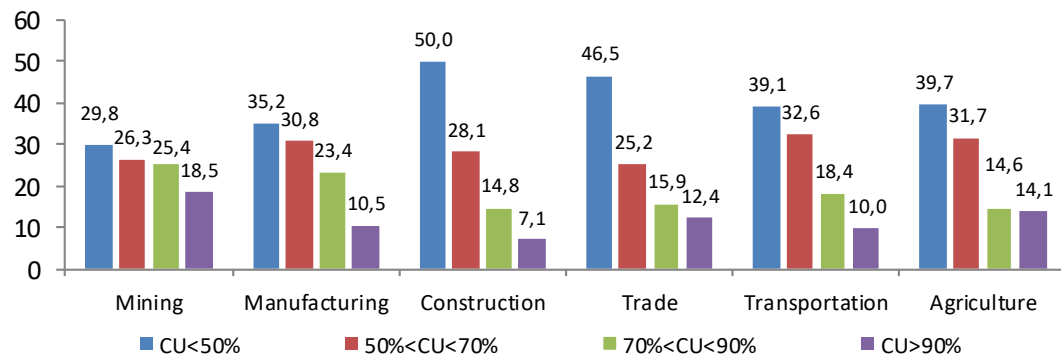
## Capacity utilization rate

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



In Q4 of 2022 the level of production **capacity utilization (CU)** increased in the manufacturing industry, agriculture, as well as transport and warehousing. The best situation is in the mining industry, where the share of enterprises with the maximum CU (**CU $\geq$ 90%**) is higher than in other industries, and the share of enterprises with **CU $<$ 50%** is less than in others. The worst situation with CU is in construction. The highest level of CU is in the mining industry (61.0%). In construction the lowest level of use of production potential is observed.

Chart 20. The level of utilization of production capacities in the 4th 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	1,55	1,55	0,23	44,0	0,49	52,2
Manufacturing	1,49	1,45	0,29	22,5	0,39	65,4
Construction	1,10	1,09	0,33	17,1	0,21	70,0
Trade	1,17	1,24	0,47	20,0	0,21	82,9
Transportation	1,23	1,53	0,18	22,1	0,47	36,1
Agriculture	1,38	1,42	0,14	22,1	0,44	41,4

The main indicators of the financial and economic activities of enterprises in the 4th quarter of 2022 were as follows:

- mining enterprises have the highest liquidity (**CLR=1.55**);
- the most solvent are the enterprises of the mining industry and the transport and warehousing industries (**SR = 1.55 and 1.53**, respectively);
- business activity in trade is significantly higher than in other industries (**ATR=0.47**);
- mining industry enterprises remain the most profitable (**RP=44.0%**), the least profitable are construction enterprises (**ROS=17.1%**);
- the possibility of financing investments at the expense of own funds in the enterprises of the mining industry, as well as transport and warehousing, is higher than in other industries (**SFR = 0.49 and 0.47**, respectively);
- most of the assets of trade enterprises are working capital (**DOSA=82.9%**).

**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 (CLR)

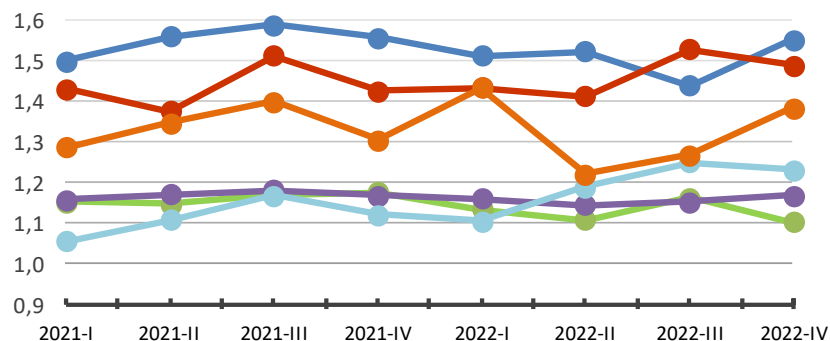


Chart 23. Self-financing ratio dynamics (SFR)

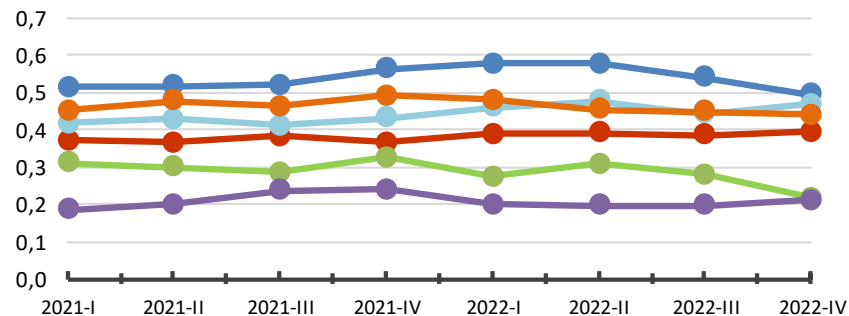


Chart 22. Asset turnover ratio dynamics (ATR)

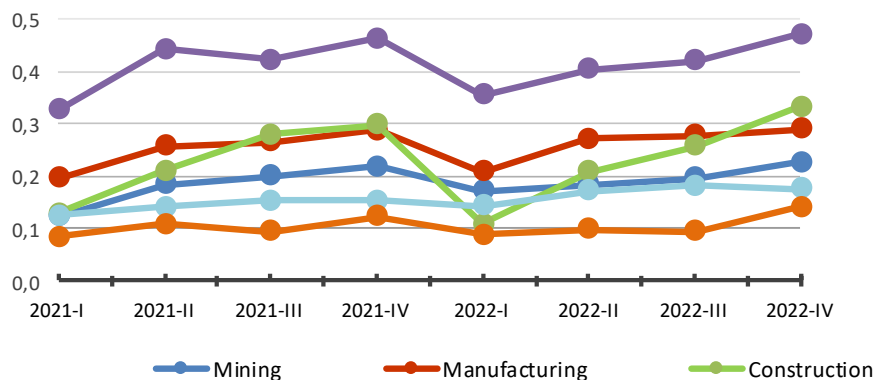
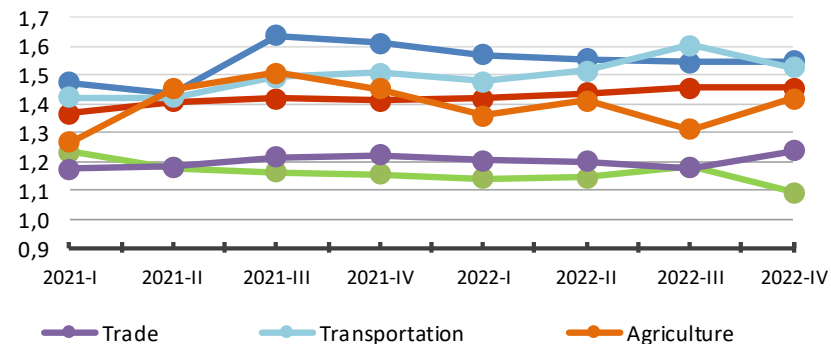


Chart 24. Overall solvency ratio dynamics (SR)



In Q4 of 2022 the ability of enterprises **to repay their short-term liabilities improved** in the sectors of mining, agriculture and trade (CLR increased). There is an increase in business activity in all sectors (except for transport and warehousing, where ATR has remained at the same level). The largest increase was noted in construction (**ATR increased from 0.26 to 0.33**).

The ability to finance investments from own funds has decreased in the mining and construction industries. The overall solvency of enterprises increased in agriculture and trade, but remained almost at the same level in the mining and manufacturing industries. The greatest increase was noted in agriculture (**SR=1.42**).

\* 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 \*, %

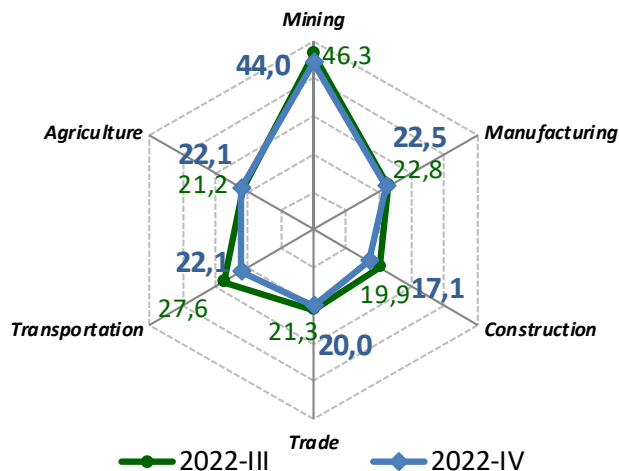


Chart 26. Dynamics of sales profitability \*, %

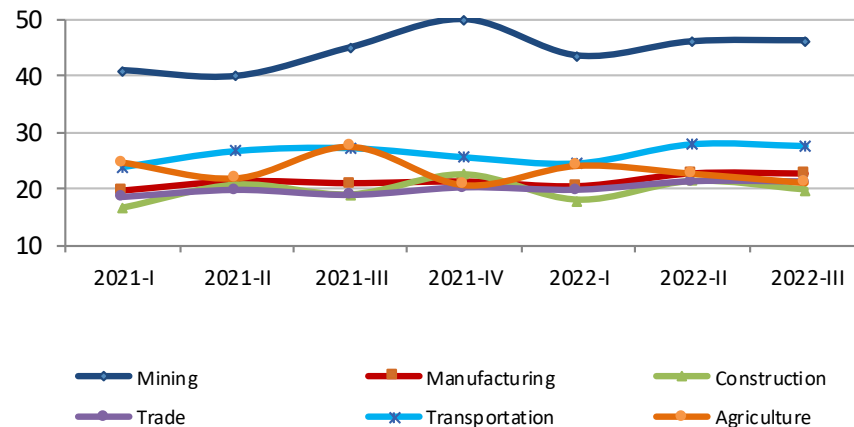
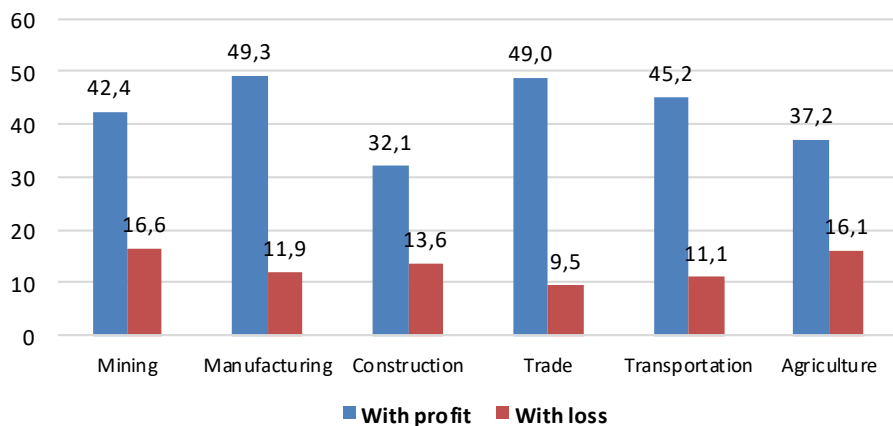


Chart 27. The share of enterprises planning to end the financial year with profit / loss, %



**Return on sales** (before taxes and deducting interest and amortization expenses) in Q4 of 2022 increased only in agriculture. The profitability of sales in the mining industry is significantly higher than in other industries.

The share of enterprises planning to close the financial year with **losses** is higher in the mining industry (16.6%). Among enterprises planning to close the financial year with a profit, the most optimistic estimates are in the manufacturing industry (49.3%) and trade (49.0%). In all sectors under consideration, the share of enterprises planning to close the year with a profit is greater than the share of those who expect to end the year with a loss.

# Assessment of real performance indicators of enterprises:

## Debt burden in industries

The situation with overdue debts outside the banking sector has changed, that is, on mutual settlements with suppliers, contractors, customers, buyers, etc. According to the results of Q4 of 2022, on average in the economy, the share of enterprises with overdue (more than 90 days) **receivables** decreased (from **24.0%** to **22.7%**) and with overdue accounts **payable** (from **22.1%** to **21.9%**).

In all sectors, except for agriculture and mining, the share of enterprises with overdue accounts receivable **has decreased**. The share of enterprises with overdue accounts payable also **decreased** in the transport and warehousing sectors, as well as in the manufacturing industry. The largest number of enterprises with overdue receivables and payables is in the mining industry (**26.8%** and **31.2%**, respectively).

Chart 28. Overdue accounts receivable debt (%)

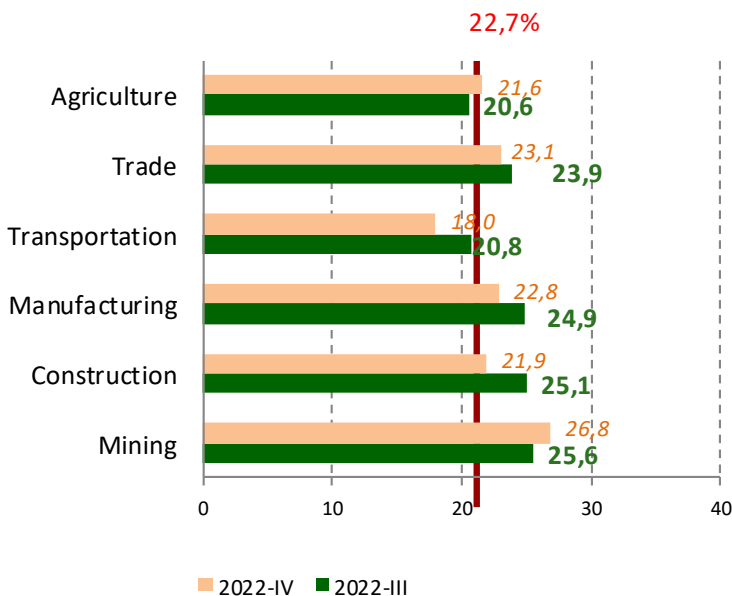
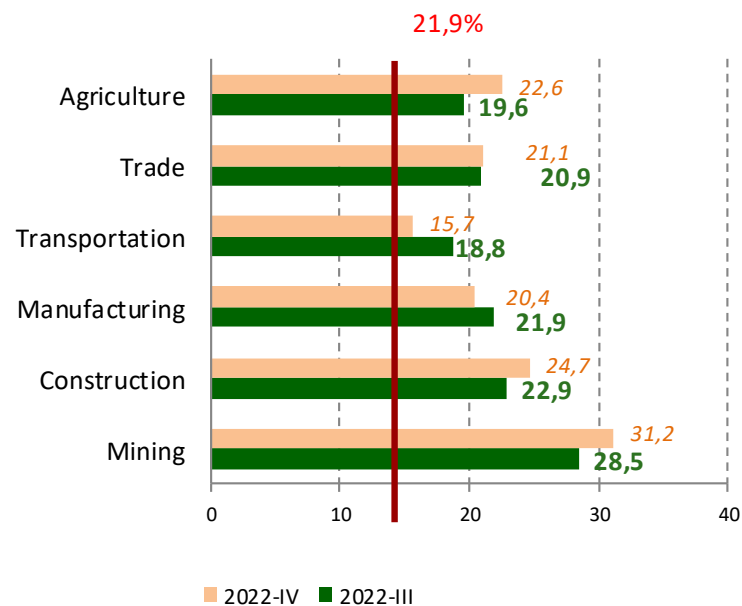


Chart 29. Overdue payables debt (%)



# Assessment of real performance indicators of enterprises:

## Production volumes and expenses for work force

Chart 30. Production volume dynamics<sup>1</sup>, DI<sup>2</sup>

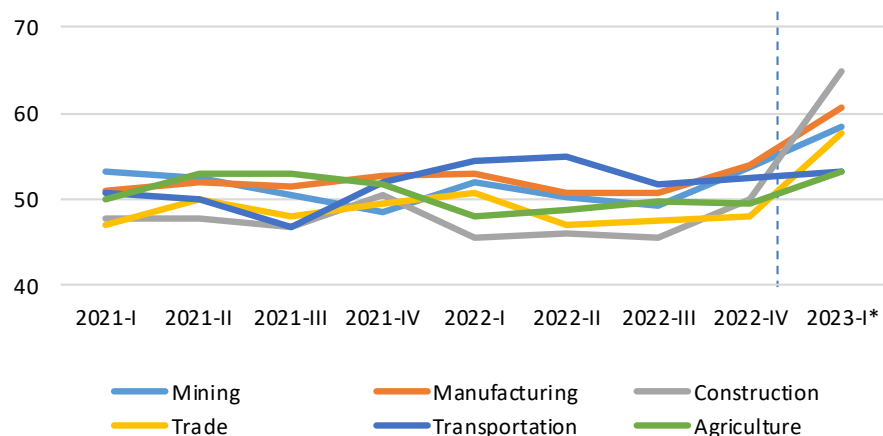


Chart 31. Number of employed dynamics<sup>3</sup>, DI

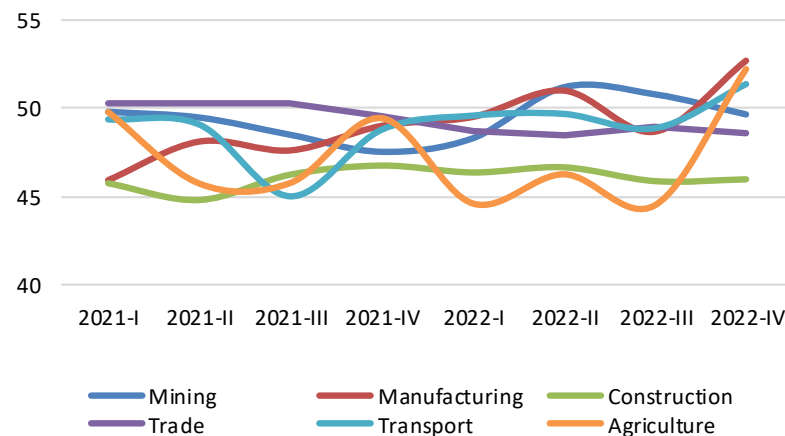
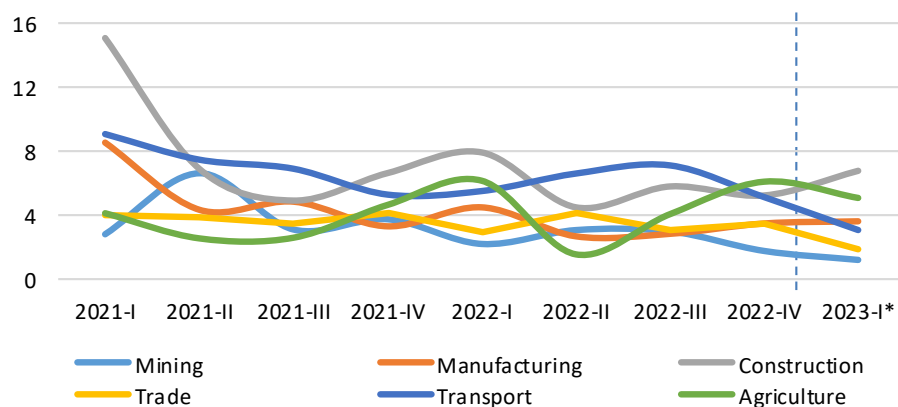


Chart 32. Dynamics of the share of enterprises that reduced average wages<sup>4</sup>, %



In Q4 of 2022 an increase in the **growth rate of production volumes** was noted in the mining and manufacturing industries, as well as in transport and warehousing. At the same time, the construction, trade and agriculture sectors are in the negative zone. In Q1 of 2023 an increase in production volumes is expected in all industries. The number of employed has increased in agriculture, manufacturing, transport and warehousing. In Q4 of 2022 the number of enterprises that **reduced the wages** of their employees in agriculture, trade and manufacturing increased. In Q1 of 2023 the wage situation will improve in agriculture, transport and warehousing, trade and mining.

<sup>1</sup> Seasonally adjusted data

<sup>2</sup> 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 2023

<sup>3</sup> Seasonally adjusted data (excluding manufacturing)

<sup>4</sup> Seasonally adjusted data (excluding manufacturing, construction and agriculture)

- The highest **degree of competition still remains** in trade.
- Most enterprises indicate the **state of the economy of Kazakhstan** as the main obstacle in doing business.
- In Q4 of 2022 the negative impact of the change in the exchange rate of the tenge against the **Russian ruble** in the economy as a whole **decreased** (DI was 35.7), as well as for enterprises in all industries. The negative impact of the change in the exchange rate of the tenge against the **US dollar also decreased** (DI was 36.5, **decreasing for enterprises of all industries**).
- The main currencies used in settlements with foreign partners are the Russian ruble and the US dollar. The Russian ruble dominates in all sectors except mining, where the US dollar dominates.
- In Q4 of 2022 an increase in the growth rate of production volumes was noted in the mining and manufacturing industries, as well as in transport and warehousing. At the same time, the construction, trade and agriculture sectors are in the negative zone. In Q1 of 2023 an increase in production volumes is expected in all industries. In Q4 of 2022 the level of **production capacity utilization** increased in the manufacturing industry, agriculture, as well as transport and warehousing.
- The highest level of **capacity utilization** remains in the mining industry (61.0%).
- In Q4 of 2022 there was some improvement in the situation with the **demand for finished products** in the mining industry, as well as transport and warehousing, and a deterioration in the trade industry. Demand indicators for trade and construction are in the negative zone. Profitability of sales in the 4th quarter of 2022 increased only in agriculture.
- **The profitability of sales** in the mining industry is significantly higher than in other industries.
- The shares of enterprises with overdue (more than 90 days) **accounts receivable** decreased (from **24.0%** to **22.7%**) and with **overdue accounts payable** (from **22.1%** to **21.9%**).
- A slowdown in the growth rate of **prices for raw materials and materials** in Q4 of 2022 was noted in all sectors, with the exception of trade. Growth in prices for finished products also slowed down in all sectors except mining (improvement).
- In Q1 of 2023 a slowdown in the growth rates of **prices for raw materials and materials and finished products** in all sectors under consideration is expected.