

# **SECTORAL MARKET REVIEW**

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

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

**Q1 2023**



**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

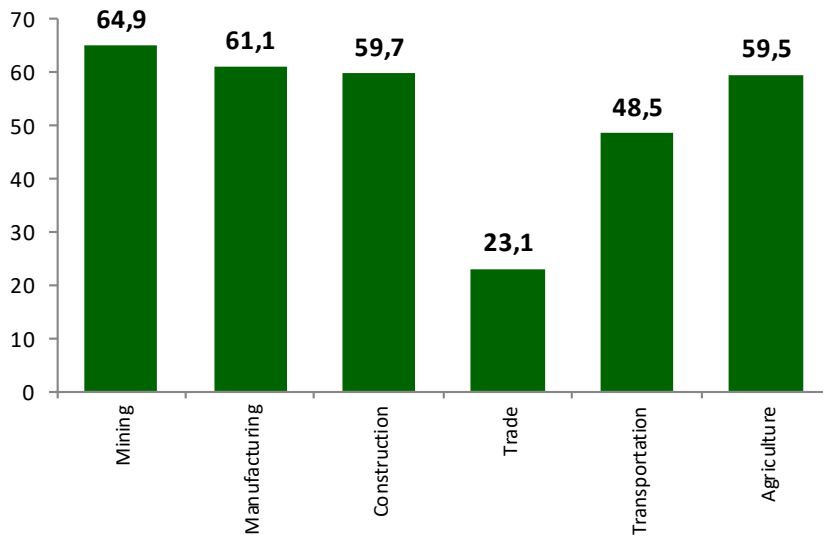
## Survey details

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	➤ 1Q 2023
<b>Total monitoring participants</b>	<b>➤ 3366</b>

## Sample details

Mining enterprises	➤ 208
Manufacturing enterprises	➤ 735
Construction enterprises	➤ 325
Trade enterprises	➤ 953
Transport and warehouse enterprises	➤ 268
Agricultural enterprises	➤ 200
<b>Total respondents for the sample</b>	<b>➤ 2 689</b>

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



In Q1 of 2023 the importance of competition increased in all industries.

**Trade** remains the industry most affected by market competition, with **39.9%** of businesses experiencing its impact on their business.

In the **manufacturing** industry, the share of such enterprises reached **35.6%**, in **transport and warehousing** - **27.6%**, in **construction** - **23.7%**. The smallest share was noted in **agriculture** and **mining** industry (**20.0%** and **15.4%**, respectively).

The sample for the **mining** industry is represented mainly by large and medium-sized enterprises (**64.9%**), 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.

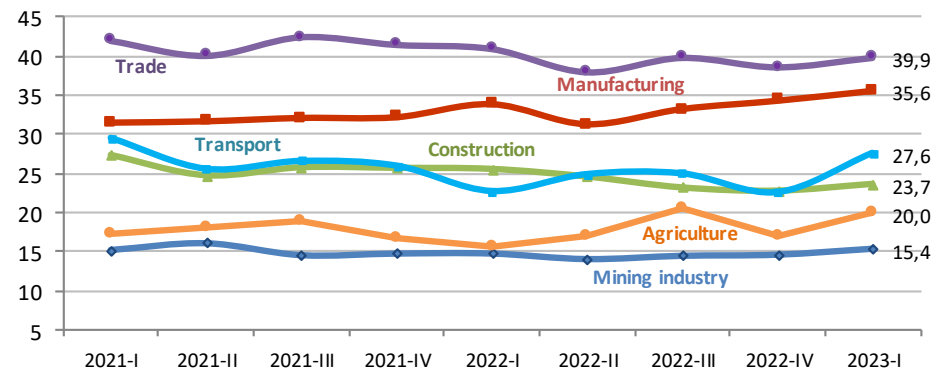
Large and medium enterprises in the **manufacturing** industry account for **61.1%** of the total number of surveyed enterprises in the industry. The largest volumes in the industry are produced by enterprises of the metallurgical industry.

**Construction** and **agriculture** are also dominated by large and medium enterprises (**59.7%** and **59.5%**, respectively).

In **transportation** and **warehousing**, almost half of the sample is represented by large and medium-sized enterprises (**48.5%**), 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.

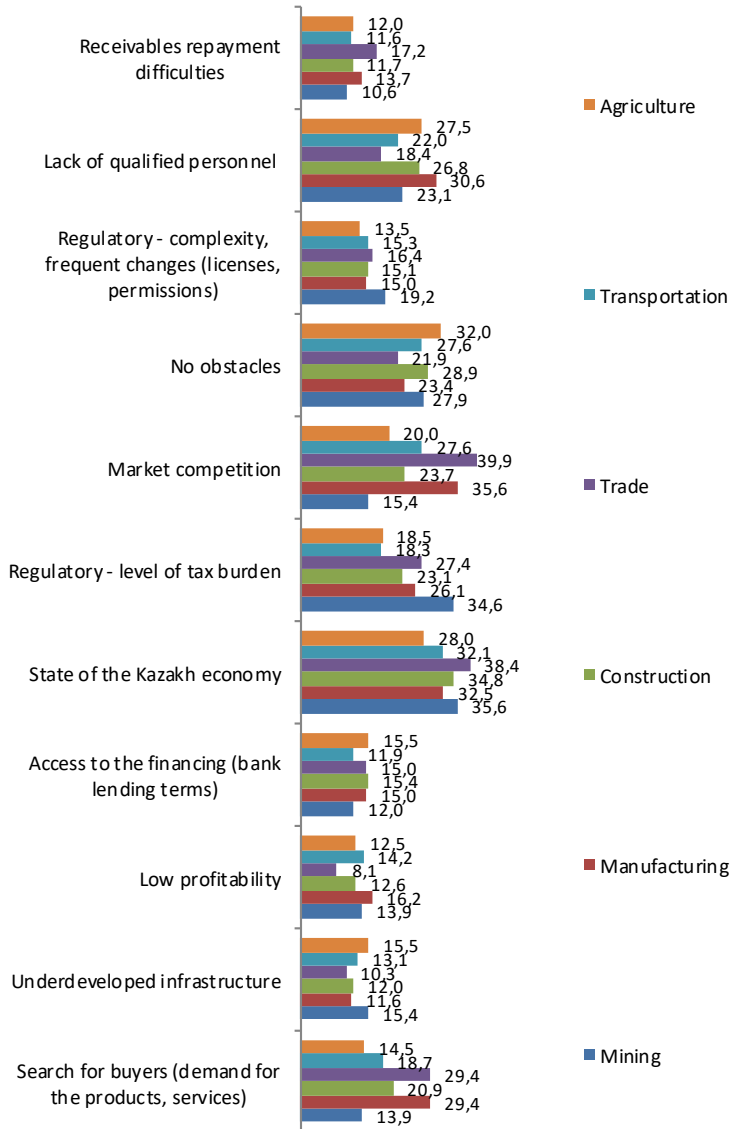
In **trade**, the share of large and medium-sized enterprises in the sample, as well as in the general population, is low (**23.1%**).

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

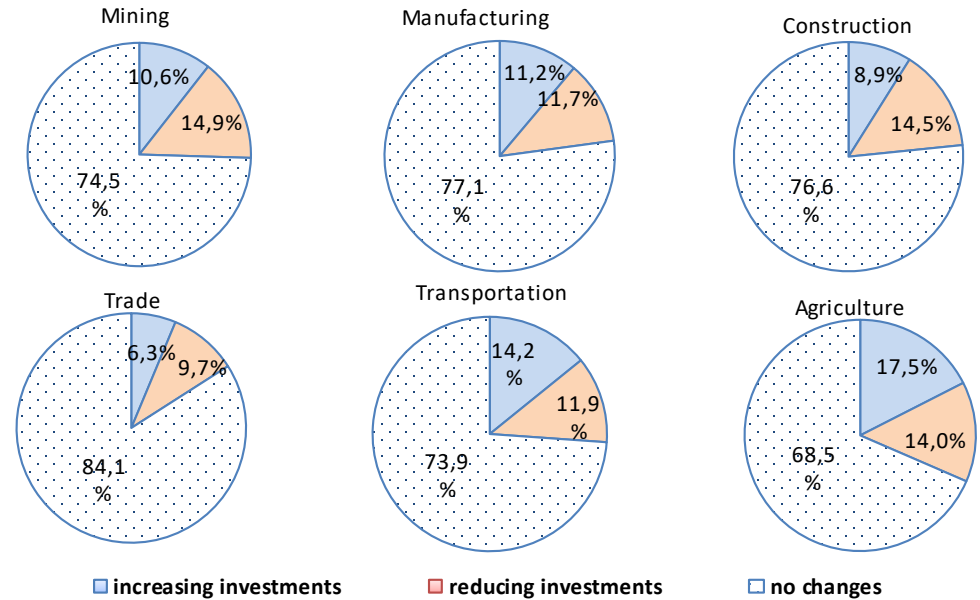


# Assessment of Economic Conditions: Conditions for Investment Activity

**Chart 3. Restrictions on investment activity of enterprises**



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



In Q1 of 2023, according to many enterprises, the **state of the economy** of Kazakhstan turned out to be the main obstacle in doing business.

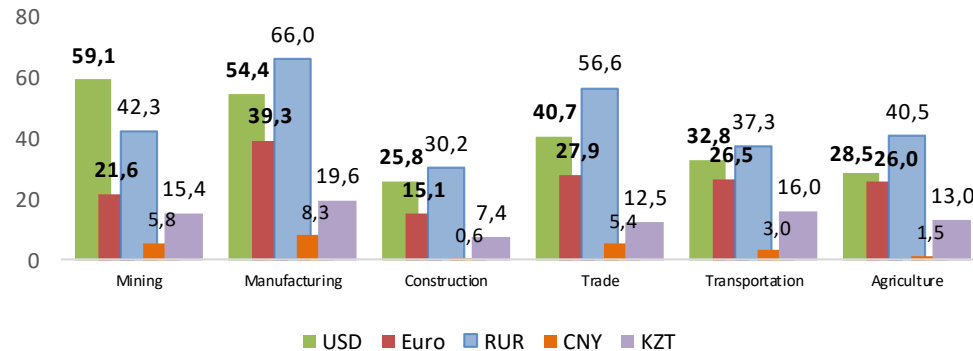
For trade, manufacturing, as well as transport and warehousing enterprises, the main thing is **competition** and the **state of the economy**. The main obstacles for mining enterprises are the **state of the economy** and the **level of the tax burden**, agriculture and construction - the **state of the economy** and the **lack of qualified personnel**.

In the next 12 months, funding for all sectors will remain largely unchanged, with the largest increase in funding planned for agriculture, as well as transport and warehousing. The largest reduction in investment is expected in the mining industry and construction, the smallest - in trade. In all sectors under consideration, except for transport and warehousing, as well as agriculture, the share of enterprises planning to reduce investment is larger than the share of those planning to increase them.

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

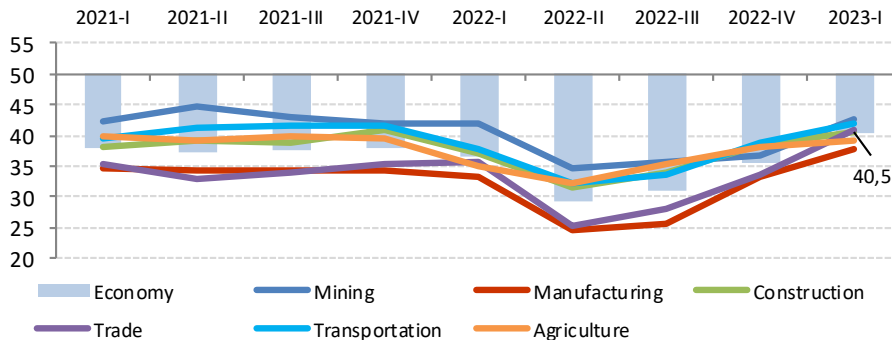
# Assessing Economic Conditions: Impact of the Exchange Rate

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

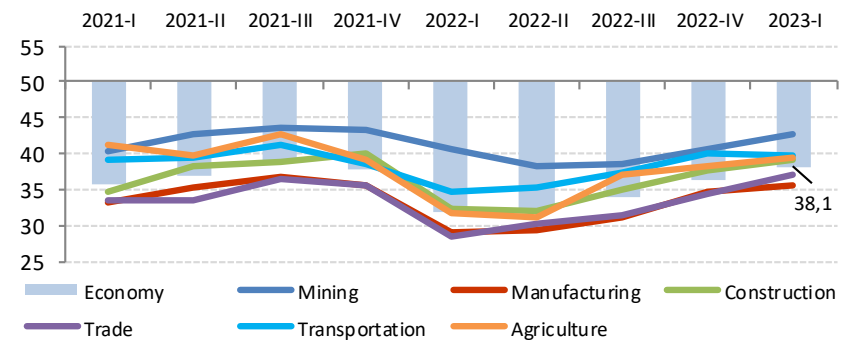


The main currencies used in settlements with foreign partners are the Russian ruble and the US dollar. The Russian ruble dominates in all sectors except mining (the US dollar dominates). Tenge in the calculations in Q1 of 2023 was most used by manufacturing enterprises - 19.6%.

**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)**



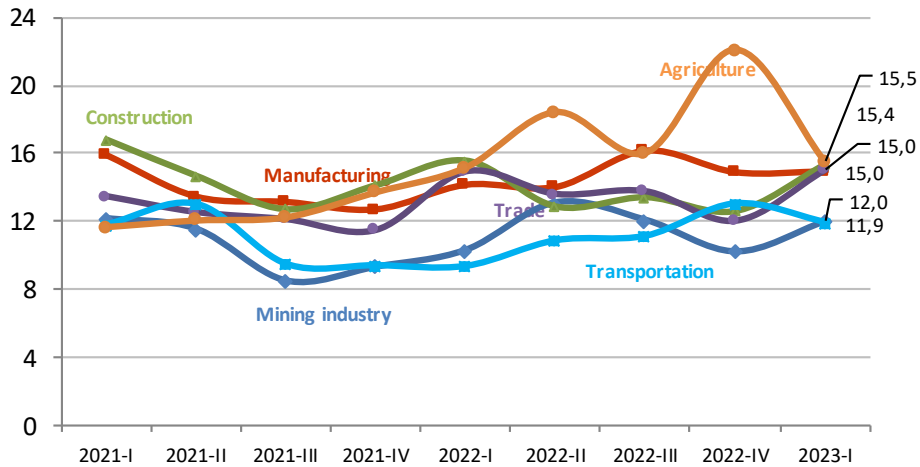
**Chart 7. Impact of changes in the exchange rate of the tenge against the Russian ruble on the activities of the enterprise (DI by industry for the quarter)**



In Q1 of 2023 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 40.5) 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 38.1).

\* 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	18,6	5,0	6,6	2,0
Manufacturing	15,6	6,1	5,2	3,0
Construction	18,0	6,8	5,0	2,7
Trade	17,2	7,9	5,0	3,2
Transportation	18,3	6,3	7,4	2,9
Agriculture	14,8	7,0	6,0	2,9

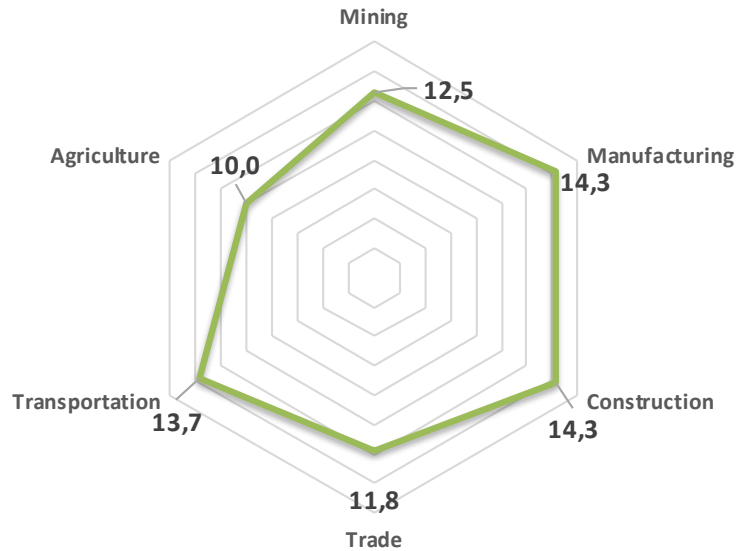
**Chart 9. Companies intending to apply for a loan in Q1 of 2023 and in Q2 of 2023, %**



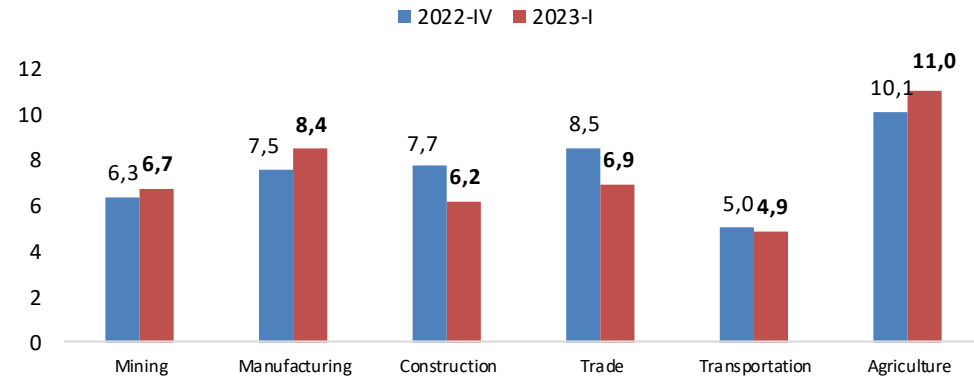
In Q1 of 2023 in all industries, except for agriculture, as well as transport and warehousing, the share of enterprises for which bank lending conditions are unacceptable increased. The largest number of enterprises for which credit conditions are unacceptable belongs to the agricultural sector (15.5%), while the smallest number is in the transport and warehousing sector (11.9%).

The highest interest rates on loans received in tenge (18.6% and 18.3%) were noted in the mining industry, as well as transport and warehousing, in foreign currency - in transport and warehousing (7.4%). The largest share of enterprises intending to take out a loan in Q2 of 2023 is in the manufacturing industry and trade (25.4% and 16.7%, respectively), the smallest is in the transport and warehousing industry (7.5%).

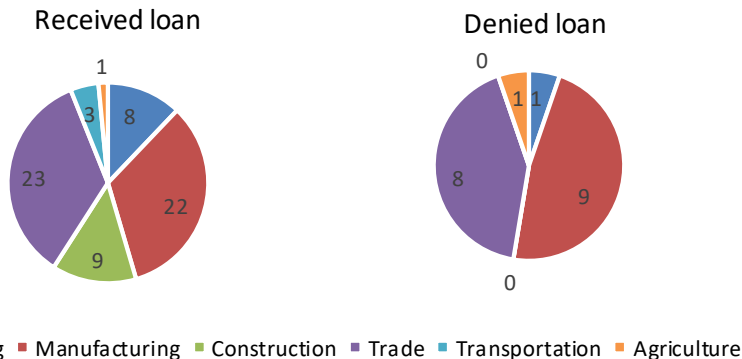
**Chart 10. Weighted average\* credit load \*\*, %**



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



**Chart 12. Results for consideration of loan applications, number**



In Q1 of 2023 the weighted average loan burden in the manufacturing and construction industries was higher than in other industries. The lowest value of this indicator was noted in the agricultural sector (**10.0%**).

The share of enterprises with arrears on bank loans increased only in the sectors of agriculture, manufacturing and mining.

In Q1 of 2023 out of a sample of the sectors under consideration, **19 enterprises** of all sectors were denied loans, with the exception of construction, as well as transport and warehousing.

\* 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\*

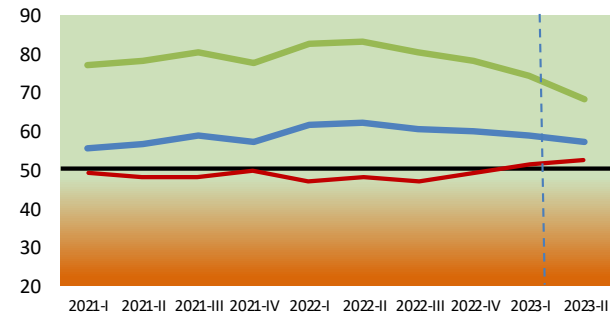
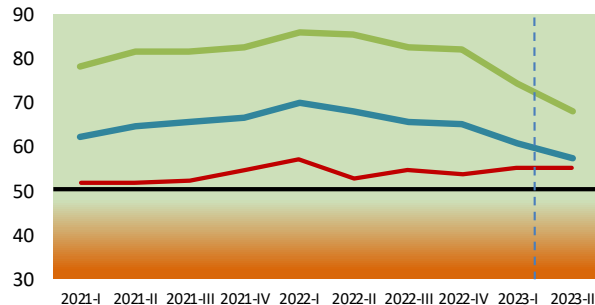
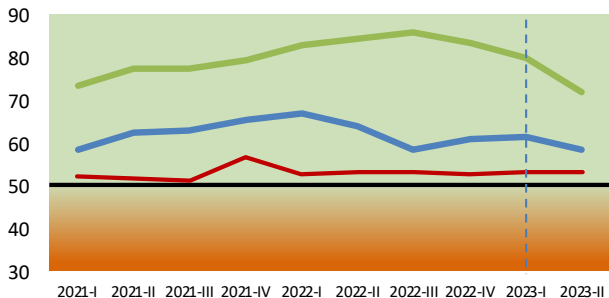
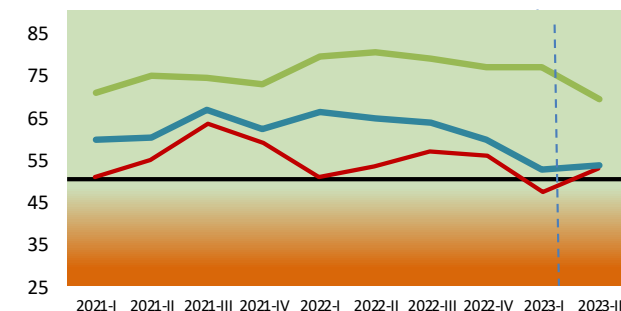
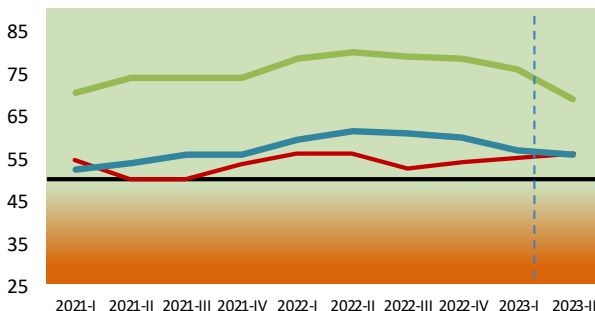
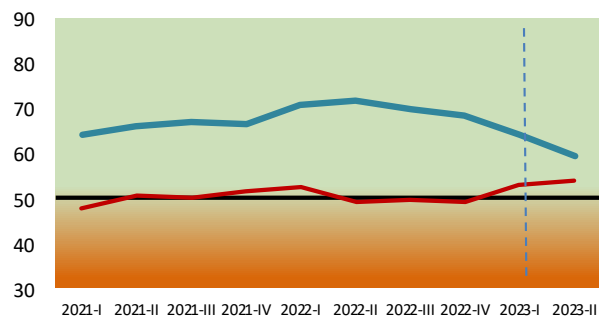


Chart 16. Trade, DI\*

Chart 17. Transportation and warehousing, DI\*

Chart 18. Agriculture, DI\*



— Demand

— Production prices

— Prices for raw materials

In Q1 of 2023 there was some improvement in the situation with the **demand for finished products** in all sectors, with the exception of agriculture. Demand indicator in agriculture is in the negative zone. Demand is expected to improve in Q2 of 2023 in all sectors except mining (slight slowdown).

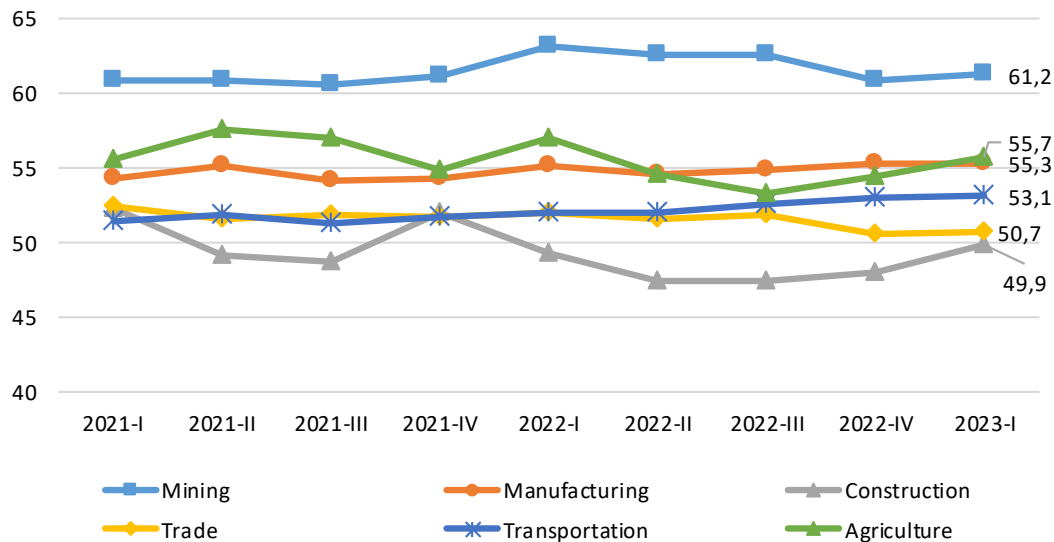
A slowdown in the growth of **prices for raw materials and materials** in Q1 of 2023 was noted in all industries. The growth of prices for finished products in all sectors, except for the mining industry, also slowed down. In Q2 of 2023 the growth rate of **prices for raw materials and materials and finished products** is expected to slow down in all sectors, with the exception of prices for finished products in the agricultural sector.

\* 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 Q2 of 2023

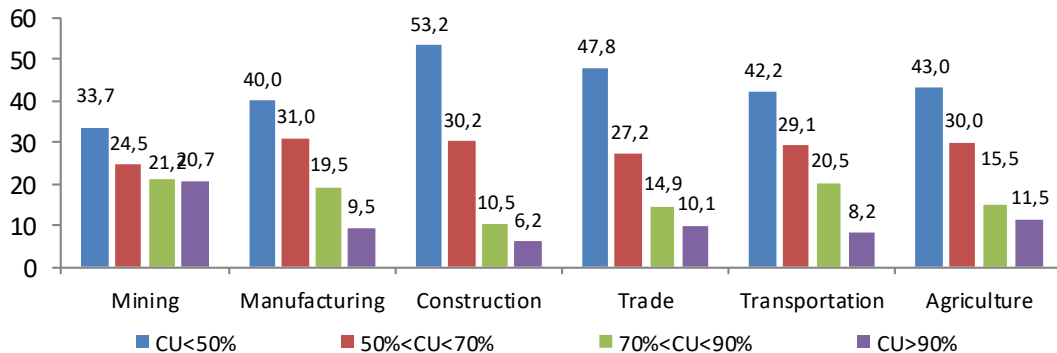
# Assessment of real performance indicators of enterprises: Capacity utilization rate

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



In Q1 of 2023 the weighted average **capacity utilization (CU)** increased in all six sectors under consideration. 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 highest level of CU is in the mining industry (61.2%).

Chart 20. The level of utilization of production capacities in the 1st quarter of 2023, 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	1,45	1,52	0,15	45,3	0,50	52,4
Manufacturing	1,48	1,48	0,22	22,0	0,38	64,6
Construction	1,05	1,09	0,14	17,4	0,18	68,0
Trade	1,19	1,24	0,34	21,4	0,24	81,8
Transportation	1,18	1,49	0,17	29,0	0,46	36,9
Agriculture	1,56	1,47	0,09	21,5	0,47	33,5

The main indicators of the financial and economic activities of enterprises in Q1 of 2023 were as follows:

- agricultural enterprises have the highest liquidity (**CLR=1.56**);
- the most solvent are the enterprises of the mining industry (**SR=1.52**);
- business activity in trade is significantly higher than in other industries (**ATR=0.34**);
- mining industry enterprises remain the most profitable (**ROS=45.3%**), construction companies remain the least profitable (**ROS=17.4%**);
- the possibility of financing investments at the expense of own funds in the mining industry is higher than in other industries (**SFR=0.50**);
- most of the assets of trade enterprises are current assets (**SWCA=81.8%**).

**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)

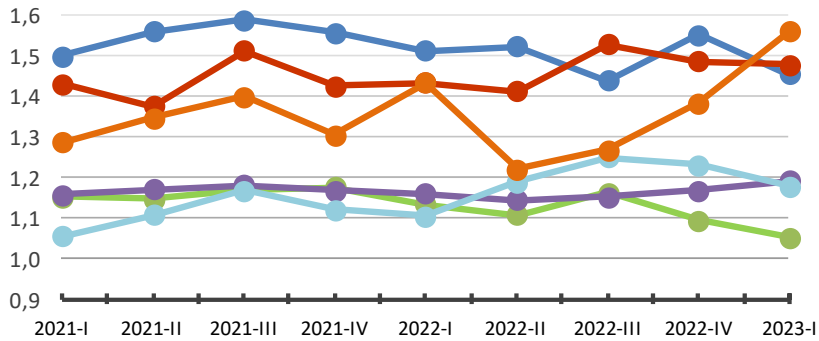


Chart 23. Self-financing ratio dynamics (SFR)

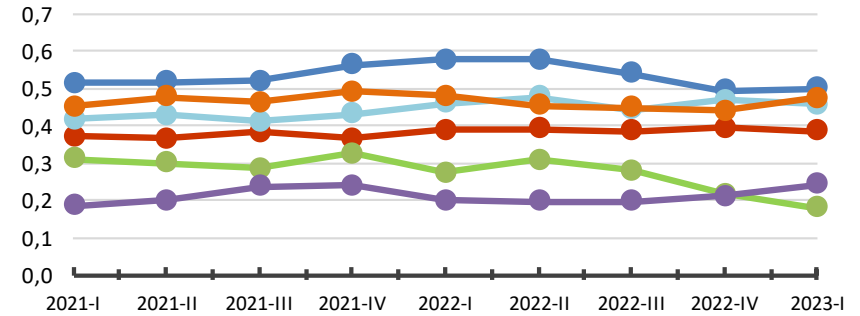


Chart 22. Asset turnover ratio dynamics (ATR)

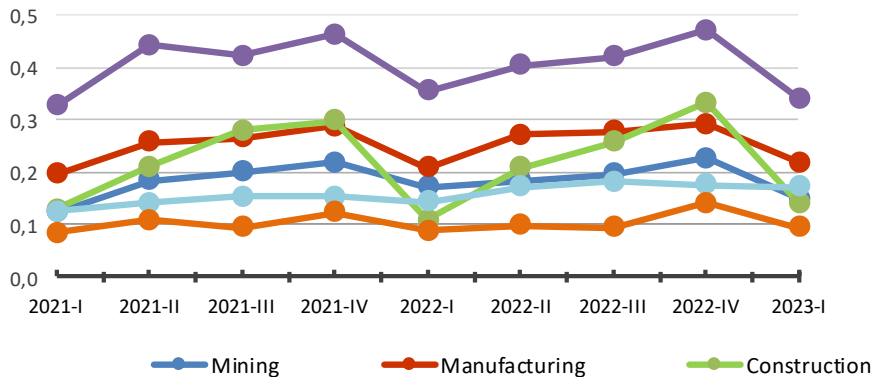
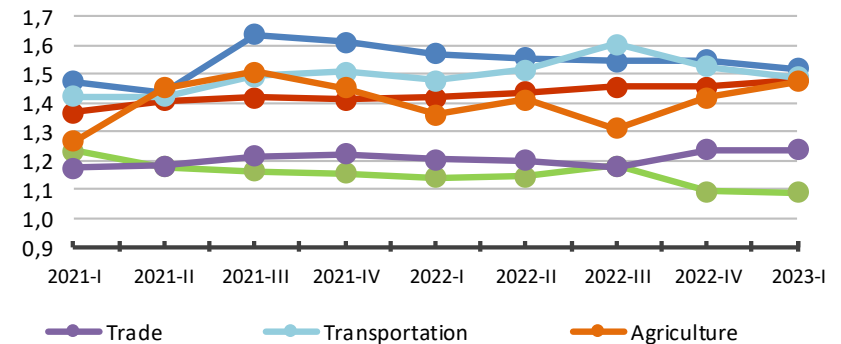


Chart 24. Overall solvency ratio dynamics (SR)



In Q1 of 2023 in the sectors of agriculture and trade, the ability of enterprises to repay their short-term obligations improved (CLR increased). There is a decrease in business activity in all industries (ATR decreased).

The possibility of financing investments at the expense of own funds has decreased in the manufacturing industry, construction, as well as transport and warehousing. The overall solvency of enterprises (SR) increased in the manufacturing industry and agriculture, while it remained at the same level in construction and trade. The highest SR value was noted in the mining industry (SR=1.52).

\* 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 \*, %

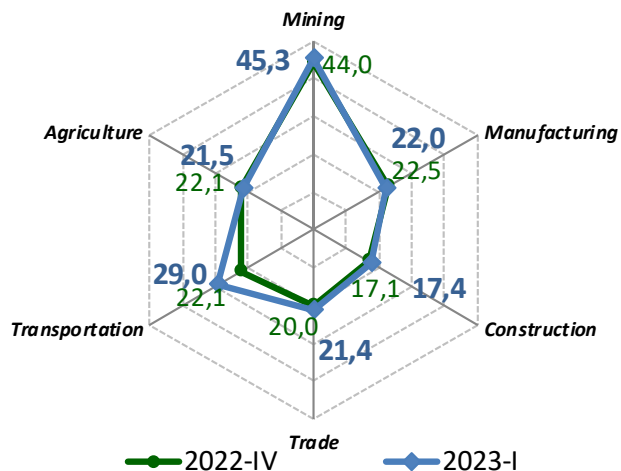


Chart 26. Dynamics of sales profitability \*, %

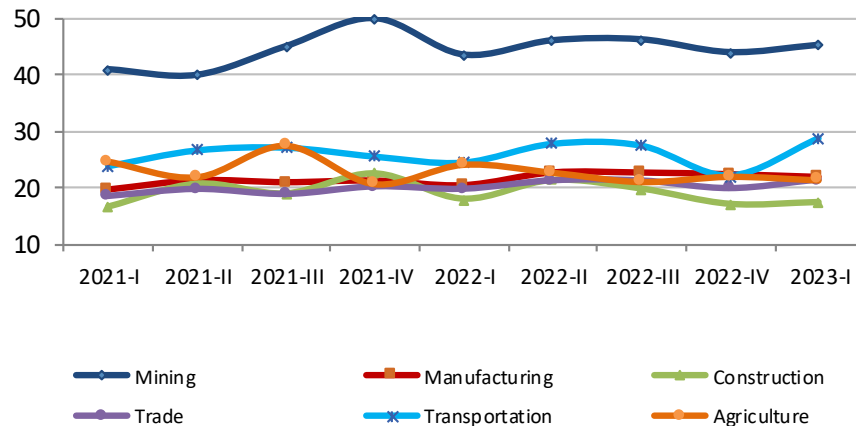
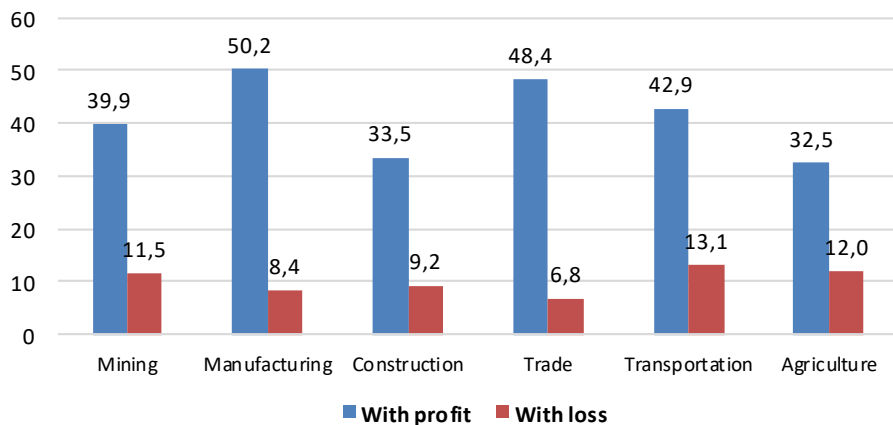


Chart 27. The share of enterprises planning to end the financial year with profit / loss, %



**Return on sales** (before tax, interest and depreciation) improved in Q1 of 2023 in all sectors except manufacturing and 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 transport and warehousing (13.1%). Among enterprises planning to close the financial year with a profit, the most optimistic estimates are in the manufacturing industry (50.2%) and trade (48.4%). In all industries 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 Q1 of 2023, on average in the economy, the share of enterprises with overdue (more than 90 days) **receivables** increased (from **22.7%** to **23.0%**), and those with overdue accounts **payable** decreased (from **21.9%** to **21.4%**).

In all industries, except for trade and mining, the share of enterprises with overdue receivables **increased**. The share of enterprises with overdue accounts payable **decreased** only in trade and construction sectors. The largest number of enterprises with overdue receivables and payables is in the mining industry (**26.4%** and **31.3%**, respectively).

Chart 28. Overdue accounts receivable debt (%)

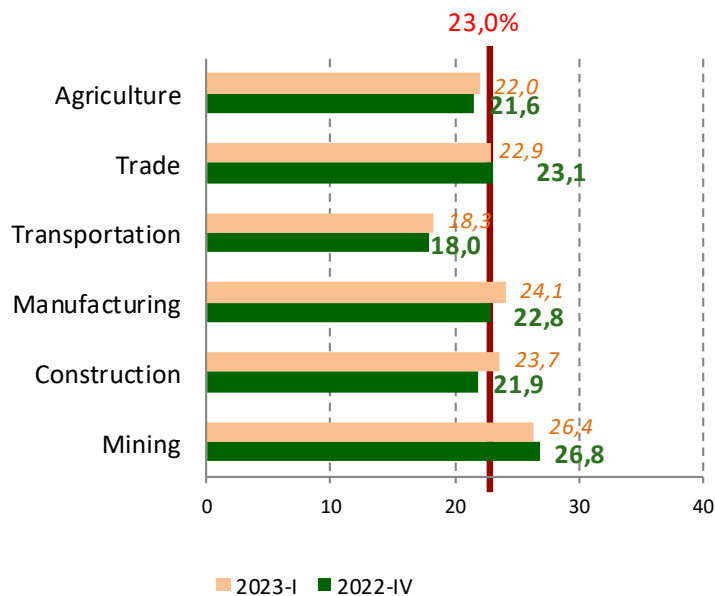
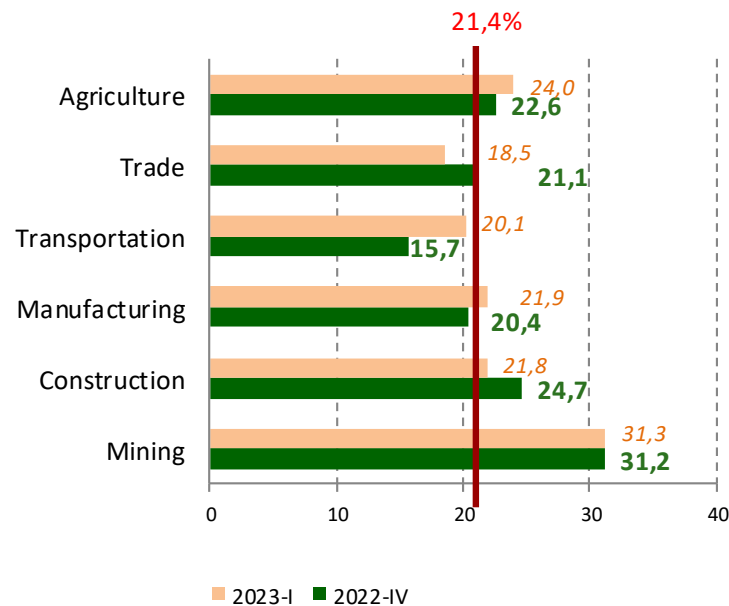


Chart 29. Overdue payables debt (%)



# 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>

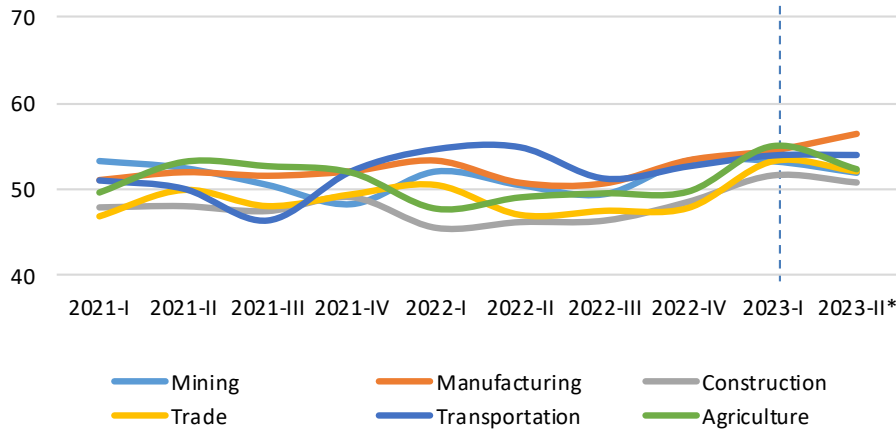


Chart 31. Number of employed dynamics<sup>3</sup>, DI

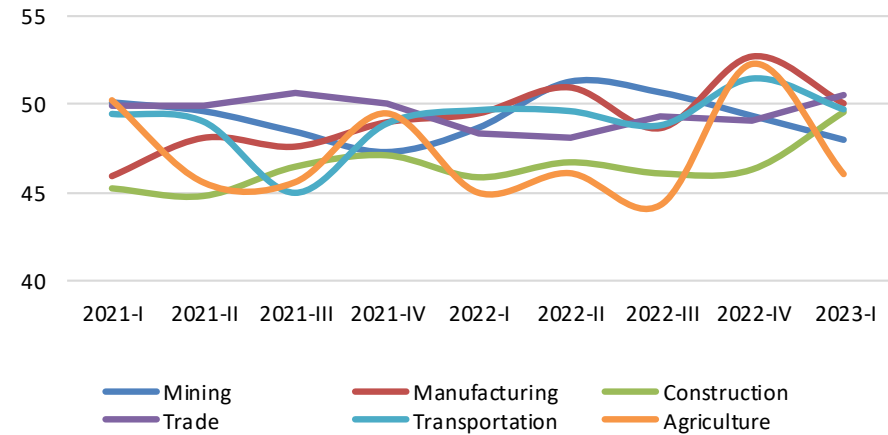
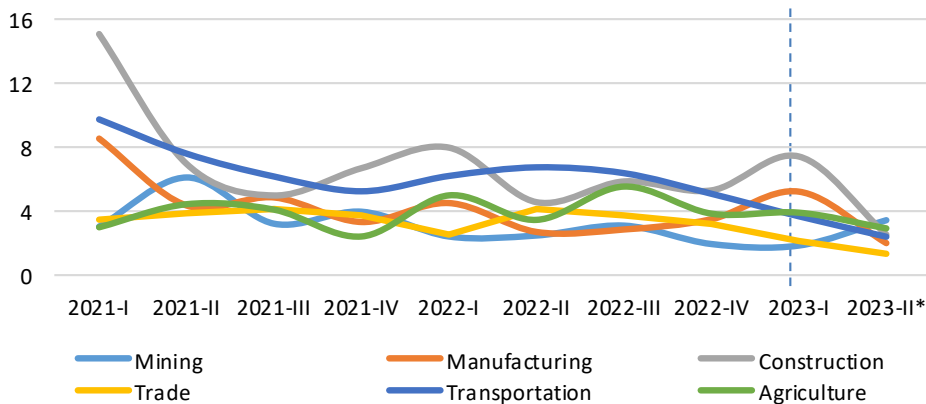


Chart 32. Dynamics of the share of enterprises that reduced average wages<sup>4</sup>, %



In Q1 of 2023 an increase in production **volumes** was noted in all sectors, with the exception of the mining industry (the indicator practically remained at the same level). In Q2 of 2023 an increase in production volumes is expected in the manufacturing industry, as well as transport and warehousing.

The number of people employed increased in construction and trade.

In Q1 of 2023 the number of enterprises that **reduced the wages** of their employees in the manufacturing industry, construction and agriculture increased. In Q2 of 2023 the situation with wages will improve in all sectors, with the exception of the mining industry.

<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 and construction)

- 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 Q1 of 2023 the negative impact of the change in the exchange rate of the tenge against the **Russian ruble**, both in the economy as a whole and for enterprises in all industries, **decreased** (DI was 40.5). The negative impact of the change in the exchange rate of the tenge against the **US dollar** also **decreased** (DI was 38.1, **decreasing for enterprises in all industries, except for transport and warehousing**).
- 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 Q1 of 2023 an increase in production **volumes** was noted in all sectors with the exception of the mining industry (the indicator practically remained at the same level). In Q2 of 2023 an increase in production volumes is expected in the manufacturing industry, as well as transport and warehousing. In Q1 of 2023 the level of **production capacity utilization increased** in all sectors under consideration.
- The highest level of **capacity utilization** remains in the mining industry (61.2%).
- In Q1 of 2023 there was some improvement in the situation with the **demand for finished products** in all sectors, with the exception of agriculture. The indicator of demand in agriculture is in the negative zone.
- The **profitability of sales** in Q1 of 2023 increased in all sectors except manufacturing and agriculture. The profitability of sales in the mining industry is significantly higher than in other industries.
- The share of enterprises with overdue (more than 90 days) **accounts receivable** increased (from **22.7%** to **23.0%**), while those with overdue **accounts payable** decreased (from **21.9%** to **21.4%**).
- A slowdown in the growth of **prices for raw materials and materials** in Q1 of 2023 was noted in all industries. The growth of **prices for finished products** in all sectors, except for the mining industry, also slowed down.
- In Q2 of 2023 the growth rate of **prices for raw materials and materials and finished products** is expected to slow down in all sectors, with the exception of prices for finished products in the agricultural sector.