

Embargoed until 1200 ALMT (0600 UTC) 01 March 2023

Tengri Partners Kazakhstan Manufacturing PMI™

New order growth quickens to seven-month high

Key findings

Solid rise in new orders

Output and employment continue to fall

Weakest increase in selling prices since December 2020

Data were collected 10-21 February 2023.

The latest PMI™ survey data from Tengri Partners and S&P Global signalled a further improvement in demand during February, prompting growth of new orders and purchasing activity, plus strong confidence in the year-ahead outlook. Production and employment continued to fall slightly, but there were signs of building pressure on capacity as backlogs of work increased.

On the price front, the rate of input cost inflation remained marked but was much softer than during most of 2022 amid a stronger tenge against the Russian rouble. Similarly, output prices rose at the weakest pace since December 2020.

The headline Kazakhstan Manufacturing PMI is a composite single-figure measure of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement in the sector.

The headline PMI moved above the 50.0 no-change mark in February, posting 51.2 from 50.0 in January. The index signalled a modest improvement in the health of the sector, and the fourth month of expansion in the past five survey periods.

The key driver of the improvement in overall business conditions in February was a solid expansion in new orders. New business increased for the fourth month running, and to the greatest extent since July last year as demand continued to show signs of improvement.

Despite new orders increasing, firms indicated that demand remained relatively subdued, leading to a third successive monthly fall in production. Employment also decreased again during the month, although in both cases the reductions were

continued...

Tengri Partners Kazakhstan Manufacturing PMI™

sa, >50 = improvement since previous month



Sources: Tengri Partners, S&P Global.

Comment

Anuar Ushbayev, Managing Partner and Chief Investment Officer at Tengri Partners said:

"The key highlight from the latest PMI survey was an acceleration in the pace of new order growth. With demand having improved over a sustained period we should be very close to seeing production volumes respond accordingly, particularly given that firms are now seeing their backlogs of work build up."

"Price and supply pressures are much more benign than they were in 2022, but logistics disruption and raw material costs still provide something of a headwind to the full recovery of the sector."

only marginal.

With production moderating despite the solid uplift in new business, capacity pressures re-emerged in February. Backlogs of work increased following a fall in January, and accumulated at the sharpest pace since June 2022.

Higher new orders led manufacturers to expand their purchasing activity again. The rate of increase remained marked, despite slowing from January's joint-record high. These purchased inputs were generally used directly in production, however, and so stocks of inputs fell modestly again.

Hopes that new orders will continue to rise supported confidence in the year-ahead outlook for production. Sentiment was only slightly lower than January's recent high.

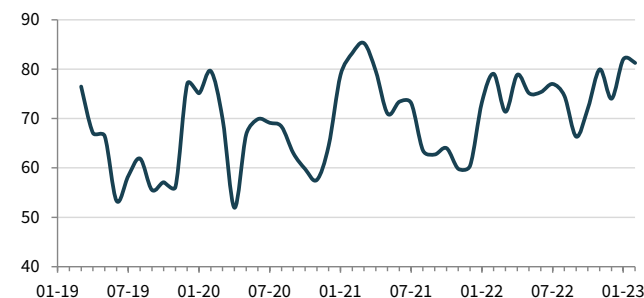
Strong confidence, allied with ongoing growth of new orders, encouraged manufacturers to expand their stocks of finished goods in order to prepare for future order requirements. Post-production inventories increased for the first time in four months, and at the fastest pace since May 2022.

Input prices continued to rise sharply during February amid widespread reports of higher raw material costs. That said, the rate of inflation remained much softer than the average for 2022. Some panellists indicated that an appreciation of the tenge against the Russian rouble had helped to reduce prices on some imported items. Similarly, output price inflation softened to a 26-month low.

Logistical difficulties meant that suppliers' lead times continued to lengthen. The latest deterioration was sharper than in January, albeit less pronounced than on average in 2022.

Kazakhstan Manufacturing PMI Future Output Index

>50 = growth expected over next 12 months



Sources: Tengri Partners, S&P Global.

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Survey methodology

The Tengri Partners Kazakhstan Manufacturing PMI™ is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 250 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates and history

February data were collected 10-21 February 2023.

Data collection began in March 2019.

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Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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