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Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Business activity rises solidly in December

Key findings

Renewed upturns in activity and inflows of new work

Slowest fall in employment in four months

Business confidence hits six-month high

Data were collected 06-22 December 2021.

The Kazakh service sector returned to a growth footing in December, according to the latest PMI™ survey data from Tengri Partners covering the Kazakh services economy. Business activity rose strongly due to a fresh uplift in new work, amid reports of stronger client demand. Meanwhile, the rate of job shedding slowed to the weakest in the current four-month sequence of reduction, while the rate of cost inflation retreated considerably from its recent peak.

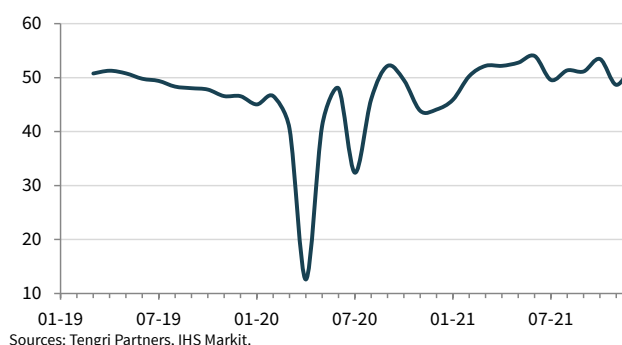
The headline figure is the Business Activity Index. This is calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The index varies between 0 and 100, with a reading above 50 indicating an increase and below 50 a decrease. The index is adjusted for seasonal variation.

The seasonally adjusted Business Activity Index rose from 48.7 in November, exceeding the 50.0 mark in December and signalling a rebound in Kazakh services output. Moreover, at 52.7, the latest reading was indicative of a solid rate of expansion and one that was amongst the strongest recorded in 2021.

Central to the return to growth in December was a renewed increase in new work at Kazakh service providers. According to panellists, client demand had improved notably since November. The rate of expansion in new business was moderate overall.

At the same time, companies recorded another reduction in staffing levels, amid reports that firms were struggling to retain workers as some left in search of higher wages. That said, the

Tengri Partners Kazakhstan Services PMI Business Activity Index
sa, >50 = growth since previous month



rate of job shedding was the slowest since the current sequence of decline began in September and only marginal.

Turning to prices, cost pressures remained severe during the final month of 2021. Input prices rose again, extending the current sequence of greater cost burdens to 17 months, with survey respondents citing material and transport costs as particular drivers of inflation. Nonetheless, the rate of increase eased noticeably from November's peak, though it remained marked overall.

Subsequently, average charges levied by Kazakh service providers rose for the fourteenth month running in December. According to panellists, charges had risen as firms passed greater cost burdens through to clients. The rate of inflation was largely unchanged since November and solid.

Positive news came from the survey's principal forward-looking indicator in December, with sentiment towards activity over the coming year improving to the strongest since June. Optimism was linked by respondents to hopes that demand conditions would improve, and COVID-19 related issues subside in 2022.

Tengri Partners Kazakhstan Composite PMI™

Renewed growth of Kazakh private sector activity

The Kazakhstan Composite PMI Output Index* posted 51.6 in December, up from 49.1 in November, to signal a fresh upturn in Kazakh private sector activity that was moderate overall. At the sector level, the first fall in factory production since August was counteracted by a return to growth in services.

The overall expansion in December was driven by a fresh increase in the level of new business placed with Kazakh private sector firms. Following a slight dip in November, new work rose marginally. The upturn was centred on the services economy.

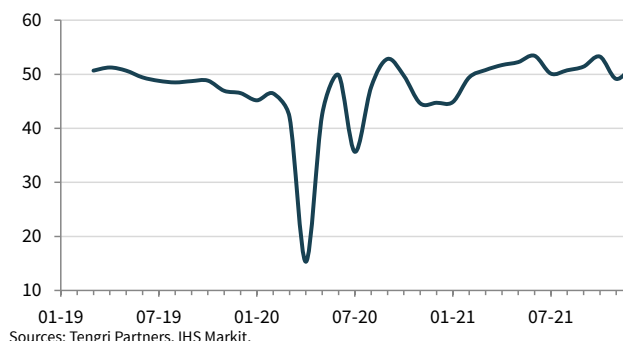
Job shedding continued at the end of the year, however, extending the current sequence of falling aggregate employment to eight months. That said, the rate of decline was the slowest for four months and only mild overall.

Turning to prices, inflationary pressures remained severe by historical standards. Input prices rose further, but the rate of inflation at the composite level eased significantly from November's peak. Both manufacturers and service providers recorded slower increases in cost burdens in December.

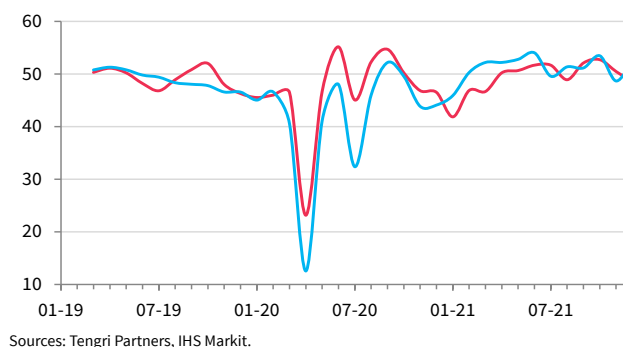
As a result, average charges for goods and services rose at the weakest rate since September. The upturn was still solid overall.

*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Kazakhstan Composite Output Index is a weighted average of the Kazakhstan Manufacturing Output Index and the Kazakhstan Services Business Activity Index.

Tengri Partners Kazakhstan Composite PMI Output Index
sa, >50 = growth since previous month



Tengri Partners Kazakhstan Manufacturing PMI Output Index
Tengri Partners Kazakhstan Services PMI Business Activity Index
sa, >50 = growth since previous month



Comment

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

"The Kazakh service sector recorded a return to growth during the final month of 2021. Business activity rose at a solid pace amid a renewed uplift in new orders, with panellists reporting improved client demand.

"The fresh upturn in services pulled the private sector back to expansion territory, despite a slight fall in manufacturing production during December. Private sector output rose marginally overall, as did inflows of new business, while the rate of job shedding slowed to a four-month low.

"Further good news came from price indices, as the aggregate rate of cost inflation retreated substantially from November's

peak, and average charges rose at a slower pace.

"Subsequently, Kazakh private sector firms registered improved expectations towards activity over the coming year, with sentiment the strongest since July. Firms expect the challenges they have faced to subside as we enter 2022 and remain hopeful of a strong economic rebound."

Services Employment Index

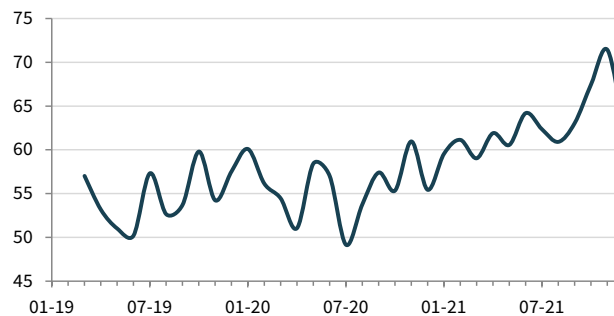
sa, >50 = growth since previous month



Sources: Tengri Partners, IHS Markit.

Services Input Prices Index

sa, >50 = inflation since previous month



Sources: Tengri Partners, IHS Markit.

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Survey methodology

The Tengri Partners Kazakhstan Services PMI™ is compiled by IHS Markit from responses to questionnaires sent to a panel of around 250 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. 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 Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

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

December data were collected 06-22 December 2021.

Data collection began in March 2019.

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About Tengri Partners

Tengri Partners is a diversified Central Asia-based merchant banking group engaged in securities trading, capital markets, investment banking, investment management, commercial finance and principal investments.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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About PMI

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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