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# Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

## Sustained, albeit softer growth in Kazakh business activity

### Key findings

Activity growth softens, amid slower increase in new business

Renewed expansion in employment

Confidence improves to five-month high

Data were collected 12-27 June 2023.

Kazakh service providers ended the second quarter with a further expansion in business activity, according to the latest survey data from Tengri Partners. Strong growth in inflows of new business supported the latest expansion in service sector output. The sustained growth across the sector fed through to a fresh rise in employment during June. Moreover, firms remained upbeat about their growth prospects over the next 12 months. The level of optimism ticked up to a five-month high.

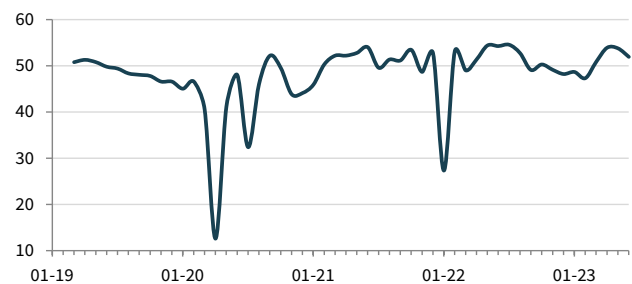
However, price pressures also intensified at the end of the second quarter. Cost burdens saw the quickest rise since February. Improved demand conditions meant that companies were also able to successfully pass on higher costs to clients, with charges rising at an accelerated pace in June.

The headline figure from the survey 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 posted above the neutral 50.0 mark for the fourth successive month in June. However, at 51.9, down from 53.8 in May, the rate of expansion eased for the second straight month and was the weakest since March.

Similarly, there was a slight slowdown in growth of new orders in June, but new business continued to expand strongly. Despite softening from the record-high in May, the rate of expansion was amongst the quickest recorded since data collection began amid reports of improving customer demand.

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



Sources: Tengri Partners, S&P Global PMI.

Moreover, the continued rise in business requirements encouraged firms to expand workforce numbers in June, following a slight fall in May. The pace of job creation was the fastest in nine months, with surveyed businesses pushing to increase payroll numbers to support current and future sales.

Turning to prices, input costs rose rapidly midway through the year amid some reports of higher supplier charges. Moreover, the pace of inflation quickened further from April's recent low to the quickest in four months.

A strong demand environment meant that businesses were able to share higher cost burdens with customers, as indicated by a thirty-second successive rise in charges. Moreover, the rate of output price inflation was the fastest observed since February.

Finally, companies operating in Kazakhstan's service sector were much more optimistic regarding activity levels in the year ahead than in the previous survey period. Firms hoped that client wins and greater demand will help drive growth in business activity. Additionally, sentiment was at a five-month high and above the average since the survey began in March 2019.

## Tengri Partners Kazakhstan Composite PMI™

### Private sector output growth slows to four-month low

The Kazakhstan Composite PMI\* signalled a fourth consecutive monthly expansion in private sector output during June. However, at 51.6, down from 53.2 in May, the rate of increase was the weakest in the aforementioned sequence. Data split by sector signalled a slowdown in growth across both manufacturing and services.

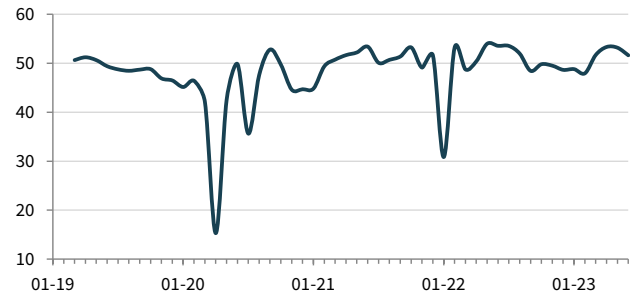
Similarly, while growth in inflows of new business remained strong overall and amongst the fastest on record, the upturn was the softest recorded since February. Nonetheless, the overall rise in sales and output meant that private sector employment grew for the second successive month, and at an accelerated pace, partly owing to a fresh expansion in employment across the service sector.

Turning to prices, cost burdens rose sharply as a result of increasing price pressures across services, while manufacturing purchasing costs grew at the slowest pace in four years. The difference between the two sectors was also evident as manufacturing firms discounted their prices for the first time since June 2019, while services charges rose at a quicker, albeit modest pace.

Lastly, confidence towards the outlook remained upbeat, with the respective index increasing to a five-month high. Improved sentiment was largely a result of a notable rise in optimism across the service sector.

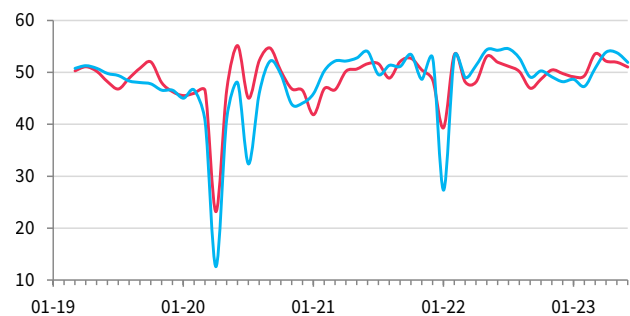
*\*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Kazakhstan Composite Output Index is a weighted average of the Kazakhstan Manufacturing Output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

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



Sources: Tengri Partners, S&P Global PMI.

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



Sources: Tengri Partners, S&P Global PMI.

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

*"The Kazakh service sector again enjoyed a month of expansion, concluding the second quarter on a positive note. Moreover, the sustained rise in business activity bolstered a fresh rise in employment, while sentiment improved to a five-month high. Despite improving underlying demand trends, the latest figures did indicate a slowdown, with both new business and activity growing at a weaker pace than at the start of the quarter. Moreover, strained supply chains and price hikes are ongoing*

*looming threats to the sector."*

### Services Employment Index

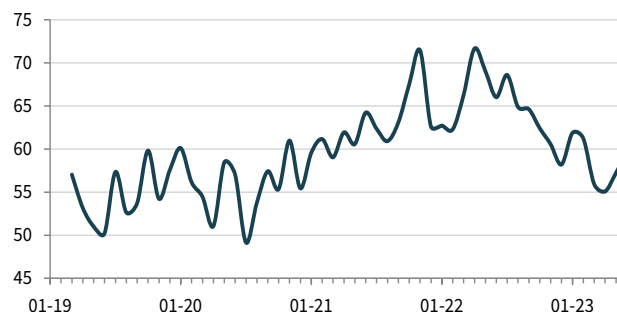
sa, >50 = growth since previous month



Sources: Tengri Partners, S&P Global PMI.

### Services Input Prices Index

sa, >50 = inflation since previous month



Sources: Tengri Partners, S&P Global PMI.

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### Survey methodology

The Tengri Partners Kazakhstan Services PMI™ is compiled by S&P Global 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](mailto:economics@ihsmarkit.com).

### Survey dates and history

June data were collected 12-27 June 2023.

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.

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