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Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Services activity growth nearly stalls

Key findings

Growth in business activity close to stagnation...

...while inflows of new business rise at the weakest pace in six months

Fresh fall in employment

Data were collected 10-25 August 2023.

Business activity across Kazakhstan's service sector remained broadly unchanged midway through the third quarter, according to the latest PMI™ survey data from Tengri Partners and S&P Global. While growth in new orders remained solid overall, here the upturn also lost momentum, with the rate of growth the weakest in six months. Additionally, the slowdown in business requirements was accompanied by a fresh fall in payroll numbers.

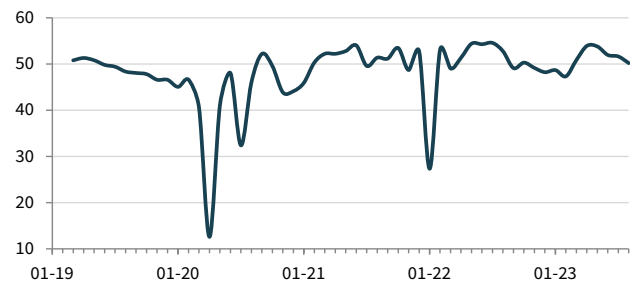
On the price front, the rate of both input cost and output price inflation weakened only slightly since July. As such, price pressures remained historically strong.

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.

Having fallen in each month since April's recent peak, the seasonally adjusted Business Activity Index ticked down further to 50.2 in August from 51.6 in July, to signal broadly no change in service sector output. Moreover, the latest reading was the lowest in the current run of growth that began in March.

While growth in customer numbers supported the latest upturn in business activity, mentions of the war in Ukraine and increased market competition limited the pace of expansion. Similarly, though inflows of new work received at Kazakhstan's services companies increased solidly in August, the rate of growth was the softest in six months.

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



Sources: Tengri Partners, S&P Global PMI.

With firms seeing business requirements moderate, August data also revealed a fresh fall in staffing levels. The respective seasonally adjusted index fell below the neutral 50.0 threshold for the first time since May and printed a six-month low. Reports of resignations were widespread, with some surveyed firms also reporting redundancies.

Turning to prices, the latest survey data signalled a sustained rise in price pressures, with both input costs and output charges growing at historically strong rates, albeit slightly weaker than seen in the previous survey period. Unfavourable fluctuations of the tenge against the US dollar and price hikes at suppliers were often said to have pushed up cost burdens. Growing cost burdens and higher salaries contributed towards companies raising their charges.

Finally, optimism regarding the year-ahead outlook for business activity remained historically strong, with more than half of all respondents predicting growth in service sector output. Service providers were hopeful that growth in new business and higher customer numbers will support a rise in business activity over the coming 12 months.

Tengri Partners Kazakhstan Composite PMI™

Private sector output growth slows to six-month low

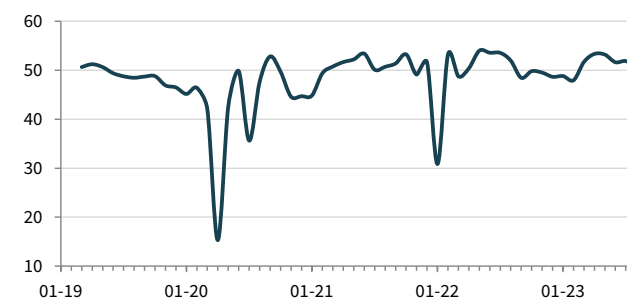
The Kazakhstan Composite PMI* slipped to 50.5 in August, down from 51.9 in July, thereby signalling the weakest expansion in private sector output in the current six-month sequence of growth. Both monitored sectors registered softer expansions than seen in the previous survey period.

A solid expansion in new work received was registered in Kazakhstan's private sector during August. That said, growth in inflows of new business also slowed since the preceding survey period, resulting from a softer upturn across service providers. The latest increase was the weakest in six months. A slowdown in business requirements and sufficient capacity to keep on top of workloads meant that private sector employment fell for the first time in four months. Job creation seen at manufacturers was unable to compensate for a fresh downturn at service providers.

In terms of prices, cost burdens continued to rise, albeit at a rate that was weaker than that seen historically and the softest in three months. Meanwhile, the rate of charge inflation remained the same as in July. Input costs increased much more quickly at service providers than at manufacturers. Looking ahead, the outlook for output weakened slightly on the month, largely due to a strong drop in expectations across manufacturers. Nonetheless, confidence levels were still historically elevated.

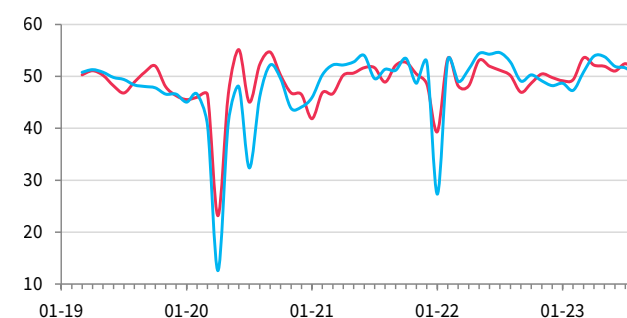
**Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Kazakhstan Composite Output Index is a weighted average of the Kazakhstan Manufacturing Output 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 latest PMI data highlighted a slowdown in the Kazakh service sector, with both business activity and new work rising at the weakest rates in six months, albeit the latter still increasing solidly. Softer growth, a fresh fall in employment and still historically strong price pressures, could translate into a weaker second half of the year. Moreover, international headwinds, i.e., the war in Ukraine and the global economic slowdown could only further exacerbate growth concerns. That said, surveyed business were largely optimistic that activity will be higher in 12 months' time."

Services Employment Index

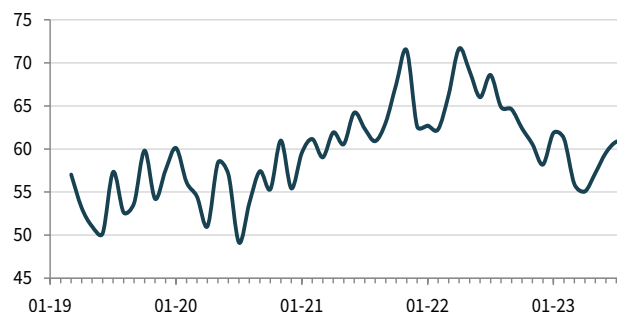
sa, >50 = growth since previous month



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.

Survey dates and history

August data were collected 10-25 August 2023.

Data collection began in March 2019.

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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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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.

ihsmarkit.com/products/pmi.html